FORM 10-K

TELEPHONE & DATA SYSTEMS INC /DE/ - TDS

Filed: February 25, 2010 (period: December 31, 2009)

Annual report which provides a comprehensive overview of the company for the past year

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-14157

TELEPHONE AND DATA SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**36-2669023** (IRS Employer Identification No.)
30 North LaSalle Street, Chicago, Illinois (Address of principal executive offices)	**60602** (Zip code)

Registrant's Telephone Number: (312) 630-1900
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, $.01 par value	New York Stock Exchange
Special Common Shares, $.01 par value	New York Stock Exchange
7.60% Series A Notes due 2041	New York Stock Exchange
6.625% Senior Notes due 2045	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2009, the aggregate market values of the registrant's Common Shares, Special Common Shares, Series A Common Shares and Preferred Shares held by non-affiliates were approximately $1.2 billion, $0.6 billion, $2.9 million and $0.9 million, respectively. For purposes hereof, it was assumed that each director, executive officer and holder of 10% or more of any class of voting equity security of TDS is an affiliate. The June 30, 2009 closing price of the Common Shares was $28.30 and the Special Common Shares was $25.96, as reported by the New York Stock Exchange. Because no market exists for the Series A Common Shares and Preferred Shares, the registrant has assumed for purposes hereof that (i) each Series A Common Share has a market value equal to one Common Share because the Series A Common Shares were initially issued by the registrant in exchange for Common Shares on a one-for-one basis and are convertible on a share-for-share basis into Common Shares, (ii) each nonredeemable Preferred Share has a market value of $100 because each of such shares had a stated value of $100 when issued, and (iii) each Preferred Share that is redeemable by the delivery of TDS Common Shares has a value equal to the value of the number of Common Shares (at $28.30 per share) on June 30, 2009 that would be required to be delivered upon redemption.

The number of shares outstanding of each of the registrant's classes of common stock, as of January 29, 2010, is 49,804,909 Common Shares, $.01 par value, 49,597,872 Special Common Shares, $.01 par value and 6,491,529 Series A Common Shares, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Those sections or portions of the registrant's 2009 Annual Report to Shareholders, filed as Exhibit 13 hereto, and of the registrant's Notice of Annual Meeting of Shareholders and Proxy Statement for its 2010 Annual Meeting of Shareholders scheduled to be held May 26, 2010, described in the cross reference sheet and table of contents included herein are incorporated by reference into Parts II and III of this report.

Telephone and Data Systems, Inc.

Annual Report on Form 10-K
For The Period Ended December 31, 2009

CROSS REFERENCE SHEET AND TABLE OF CONTENTS

(1) Parenthetical references are to information incorporated by reference from Exhibit 13 hereto, which includes portions of the registrant's Annual Report to Shareholders for the year ended December 31, 2009 ("Annual Report") and from the registrant's Notice of Annual Meeting of Shareholders and Proxy Statement for its 2010 Annual Meeting of Shareholders ("Proxy Statement") to be filed on or prior to April 30, 2010.

(2) Annual Report sections entitled "TDS Stock and Dividend Information" and "Consolidated Quarterly Information (Unaudited)," except that "Securities Authorized for Issuance under Equity Compensation Plans" is incorporated in Item 12 of this Form 10-K and "Issuer Purchases of Equity Securities," is included under Item 5 of this Form 10-K.

(3) Annual Report section entitled "Selected Consolidated Financial Data," except that Ratio of Earnings to Fixed Charges is included in Exhibit 12 to this Form 10-K.

(4) Annual Report section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(5) Annual Report section entitled "Market Risk."

(6) Annual Report sections entitled "Consolidated Statement of Operations," "Consolidated Statement of Cash Flows," "Consolidated Balance Sheet," "Consolidated Statement of Changes in Equity," "Notes to Consolidated Financial Statements," "Consolidated Quarterly Information (Unaudited)," "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm."

(7) Proxy Statement sections entitled “Election of Directors,” “Corporate Governance,” “Executive Officers” and “Section 16(a) Beneficial Ownership Reporting Compliance.”

(8) Proxy Statement section entitled “Executive and Director Compensation.”

(9) Proxy Statement sections entitled “Security Ownership of Certain Beneficial Owners and Management” and “Securities Authorized for Issuance under Equity Compensation Plans.”

(10) Proxy Statement sections entitled “Corporate Governance,” and “Certain Relationships and Related Transactions.”

(11) Proxy Statement section entitled “Fees Paid to Principal Accountants.”

Telephone and Data Systems, Inc.
30 NORTH LASALLE STREET, CHICAGO, ILLINOIS 60602
TELEPHONE (312) 630-1900

TDS

PART I

Item 1. Business

Telephone and Data Systems, Inc. (“TDS”) is a diversified telecommunications service company with wireless operations provided by TDS’ 82%-owned subsidiary, United States Cellular Corporation (“U.S. Cellular”), and wireline operations provided by TDS’ wholly owned subsidiary, TDS Telecommunications Corporation (“TDS Telecom”). TDS also conducts printing and distribution services through its 80%-owned subsidiary, Suttle-Straus, Inc. (“Suttle-Straus”). At December 31, 2009, TDS served approximately 7.2 million customers in 36 states, including 6.1 million wireless customers and 1.1 million wireline equivalent access lines. U.S. Cellular, TDS Telecom and Suttle-Straus provided approximately 84%, 16% and less than 1%, respectively, of TDS’ consolidated revenues during 2009. TDS’ business strategy is to expand its existing operations through internal growth and acquisitions and to explore and develop other telecommunications and related businesses that management believes will utilize TDS expertise in customer-focused telecommunications services.

TDS has three reportable segments: (i) U.S. Cellular’s wireless operations; (ii) TDS Telecom’s Incumbent Local Exchange Carrier (“ILEC”) wireline operations and (iii) TDS Telecom’s Competitive Local Exchange Carrier (“CLEC”) wireline operations. Information about each of these segments is disclosed below. Additional information about TDS’ segments is incorporated herein by reference from Note 19 — Business Segment Information, in TDS’ Annual Report to Shareholders, filed as Exhibit 13 hereto. TDS does not have any foreign operations.

TDS was incorporated in 1968 and changed its state of incorporation from Iowa to Delaware in 1998. TDS executive offices are located at 30 North LaSalle Street, Chicago, Illinois 60602. Its telephone number is 312-630-1900.

TDS Common Shares trade under the ticker symbol “TDS” and the Special Common Shares trade under the ticker symbol “TDS.S” on the New York Stock Exchange (“NYSE”). U.S. Cellular Common Shares trade on the NYSE under the ticker symbol “USM”.

TDS 7.60% Series A Notes trade on the NYSE under the symbol “TDA” and TDS 6.625% Senior Notes trade under the symbol “TDI”. U.S. Cellular’s 7.5% Senior Notes trade under the symbol “UZV” and U.S. Cellular’s 8.75% Senior Notes traded on the NYSE under the symbol “UZG” until they were redeemed on December 24, 2009.

U.S. Cellular is a majority-owned subsidiary of TDS. As of December 31, 2009, TDS owned 82% of the combined total of the outstanding Common Shares and Series A Common Shares of U.S. Cellular and controlled 96% of the combined voting power of both classes of common stock.

Available Information

TDS’ website is *http://www.teldta.com*. TDS files with, or furnishes to, the Securities and Exchange Commission (“SEC”) annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, as well as various other information. Anyone may access, free of charge, through the Investor Relations portion of the website, the TDS annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practical after such material is electronically filed with the SEC. The public may read and copy any materials TDS files with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington D.C. 20549. The public may obtain information on the operation of the Reference Room by calling the SEC at 1-800-732-0330. The public may also view electronic filings of TDS by accessing SEC filings at *http://www.sec.gov*.

U.S. Cellular's website address is *http://www.uscc.com*. U.S. Cellular files with, or furnishes to, the SEC annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, as well as various other information. Investors may access, free of charge, through the Investor Relations portion of the website, U.S. Cellular's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practical after such material is filed electronically with the SEC. The public may read and copy any materials U.S. Cellular files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549. The public may obtain information on the operation of the Reference Room by calling the SEC at 1-800-732-0330. The public may also view electronic filings of U.S. Cellular by accessing SEC filings at *http://www.sec.gov*.

U.S. Cellular Operations

General

United States Cellular Corporation ("U.S. Cellular") was incorporated under the laws of the state of Delaware in 1983. At December 31, 2009, U.S. Cellular provided wireless voice and data services to more than 6.1 million customers in five geographic market areas in 26 states. U.S. Cellular believes that it is the sixth largest wireless operating company in the United States at December 31, 2009 based on internally prepared calculations of the aggregate number of customers in its consolidated markets compared to the number of customers disclosed by other wireless companies in their publicly released information. U.S. Cellular operates in only one reportable segment, wireless operations, and all of its wireless operating markets are in the United States.

Wireless Interests

U.S. Cellular is a wireless telecommunications service provider. U.S. Cellular operates its wireless systems under an organizational structure in which it groups its markets (geographic service areas as defined by the Federal Communications Commission ("FCC") in which wireless carriers are licensed, for fixed terms, to provide service) into geographic market areas to offer customers large service areas that primarily utilize U.S. Cellular's network. Since 1985, when it began providing wireless telecommunications service in Knoxville, Tennessee and Tulsa, Oklahoma, U.S. Cellular has expanded its wireless networks and customer service operations to cover five geographic market areas in portions of 26 states, which represents a total population of 46.3 million, as of December 31, 2009. U.S. Cellular uses roaming agreements with other wireless carriers to provide service to its customers in areas not covered by U.S. Cellular's network.

U.S. Cellular is subject to regulation by the FCC as a provider of wireless communication services. The FCC regulates the licensing, construction, and operation of providers of wireless communications systems, as well as the provision of services over those systems. See "Regulation" below for further discussion regarding licenses as well as the regulations promulgated by the FCC.

U.S. Cellular's ownership interests in wireless licenses include both consolidated and investment interests in licenses covering portions of 35 states and a total population of 89.7 million at December 31, 2009.

For purposes of tracking population counts in order to calculate market penetration, when U.S. Cellular acquires a licensed area that overlaps a licensed area it already owns, it does not duplicate the population counts for any overlapping licensed area. Only incremental population counts are added to the reported amount of "total market population" in the case of an acquisition of a licensed area that overlaps a previously owned licensed area. The incremental population counts that are added in such event are referred to throughout this Form 10-K as "incremental" population measurements.

The total market population and population equivalents measures are provided to enable comparison of the relative size of each geographic market area to U.S. Cellular's total consolidated markets and to enable comparison of the relative size of U.S. Cellular's consolidated markets to its investment interests, respectively. The total population of U.S. Cellular's consolidated markets may have no direct relationship to the number of wireless customers or the revenues that may be realized from the operation of the related wireless systems. Therefore, U.S. Cellular's reporting of total population includes the population of its total consolidated markets as well as the population of its consolidated operating markets — i.e., consolidated markets in which wireless services are provided to customers — in order to reflect its market penetration more accurately. Total consolidated markets include the consolidated operating markets and consolidated markets in which U.S. Cellular does not currently provide wireless services. For comparison purposes, total market population and penetration calculations for both total consolidated markets and consolidated operating markets are shown below.

For both consolidated markets and consolidated operating markets, the tables below aggregate the total population within each geographic market area at December 31, 2009, regardless of U.S. Cellular's percentage ownership in the licenses included in such geographic market areas.

Total Consolidated Markets

Geographic Market Areas	Population(1) (2)	Customers	Penetration	States
Central	63,839,000	3,848,000	6.0%	AL, AR, CO, FL, GA, IA, IL, IN, KS, KY, LA, MI, MN, MO, MS, NE, OH, OK, SD, TX, WI
Mid-Atlantic	19,373,000	1,178,000	6.1%	MD, NC, PA, SC, TN, VA, WV
New England	2,865,000	515,000	18.0%	ME, NH, VT
Northwest	3,149,000	416,000	13.2%	CA, OR, WA
New York	486,000	184,000	37.7%	NY
Total	89,712,000	6,141,000	6.8%	

(1) Represents 100% of the population of the licensed areas which U.S. Cellular consolidates, based on 2008 Claritas population estimates. "Population" in this context includes only the areas covering such markets and is used only for the purposes of calculating market penetration and is not related to "population equivalents," as defined below. It also includes 100% of the population of two licensed areas where U.S. Cellular owns a controlling interest and has contracted with another wireless operator to manage the operations.

(2) Includes 4.5 million incremental population counts resulting from the licenses awarded to King Street Wireless L.P. in December 2009.

Consolidated Operating Markets

Geographic Market Areas	Population(1)	Customers	Penetration	States
Central	32,832,000	3,848,000	11.7%	IA, IL, IN, KS, MI, MN, MO, NE, OH, OK, TX, WI
Mid-Atlantic	7,766,000	1,178,000	15.2%	MD, NC, PA, SC, TN, VA, WV
New England	2,865,000	515,000	18.0%	ME, NH, VT
Northwest	2,357,000	416,000	17.6%	CA, OR, WA
New York	486,000	184,000	37.7%	NY
Total	46,306,000	6,141,000	13.3%	

(1) Represents 100% of the population of the licensed areas which U.S. Cellular consolidates and are in operation, based on 2008 Claritas population estimates. "Population" in this context includes only the areas covering such markets and is used only for the purposes of calculating market penetration and is not related to "population equivalents," as defined below. It also includes 100% of the population of two licensed areas where U.S. Cellular owns a controlling interest and has contracted with another wireless operator to manage the operations.

Investment Markets

The following table summarizes the markets in which U.S. Cellular owns an investment interest at December 31, 2009. For licenses in which U.S. Cellular owns an investment interest, the related population equivalents are shown, defined as the total population of each licensed area multiplied by U.S. Cellular's ownership interest in each such license.

Market Area/Market	Population(1)	Current Percentage Interest(2)	Current Population Equivalents(3)
Los Angeles/Oxnard, CA	18,296,000	5.5%	1,006,000
Oklahoma City, OK	1,139,000	14.6%	166,000
Others (fewer than 100,000 population equivalents each)			345,000
Total population equivalents in investment markets			1,517,000

(1) Represents 100% of the total population of the licensed area in which U.S. Cellular owns an interest based on 2008 Claritas population estimates.
(2) Represents U.S. Cellular's percentage ownership interest in the licensed area as of December 31, 2009.
(3) "Current Population Equivalents" are derived by multiplying the amount in the "Population" column by the percentage interest indicated in the "Current Percentage Interest" column.

Business Development Strategy

U.S. Cellular's business development strategy is to obtain interests in and access to wireless licenses in areas adjacent to or in proximity to its other wireless licenses, thereby building contiguous operating market areas. U.S. Cellular anticipates that grouping its operations into market areas will continue to provide it with certain economies in its capital and operating costs. U.S. Cellular may continue to make opportunistic acquisitions or exchanges of markets that further strengthen its operating market areas and in other attractive markets. U.S. Cellular also believes that the acquisition of additional licenses within its operating territories will enhance its network capacity to meet its customers' increased demand for data services. U.S. Cellular seeks to acquire minority interests in licenses in which it already owns the majority interest and/or operates the license. From time to time, U.S. Cellular has divested outright or included in exchanges for other wireless interests certain consolidated and investment interests that were considered less essential to its operating strategy. As part of this strategy, U.S. Cellular from time to time may be engaged in negotiations relating to the acquisition or exchange of companies, strategic properties or wireless spectrum or the disposition of properties. In addition, U.S. Cellular may participate as a bidder, or member of a bidding group, in auctions for wireless spectrum administered by the FCC.

U.S. Cellular engaged in the following significant transactions to further enhance its operating market areas in the last five years.

FCC Auctions. From time to time, the FCC conducts auctions through which additional spectrum is made available for the provision of wireless services. U.S. Cellular has participated in certain prior FCC auctions indirectly through its limited partnership interests. Each entity qualified as a "designated entity" and thereby was eligible for bid credits with respect to licenses purchased in accordance with the rules defined by the FCC for each auction. In most cases, the bidding credits resulted in a 25% discount from the gross winning bid.

Auction 73. The FCC auction of spectrum in the 700 megahertz band closed on March 20, 2008. U.S. Cellular participated in Auction 73 indirectly through its limited partnership interest in King Street Wireless L.P. ("King Street Wireless"). King Street Wireless paid $300.5 million to the FCC in 2008 for 152 licenses for which it was the successful winning bidder in the auction. These licenses were granted by the FCC in December 2009.

Auction 66. The FCC auction of spectrum in the advanced wireless services ("AWS-1") band closed on September 18, 2006. U.S. Cellular participated in Auction 66 indirectly through its limited partnership interest in Barat Wireless L.P. ("Barat Wireless"). Barat Wireless paid $127.1 million to the FCC in 2006 for 17 licenses for which it was the successful bidder in the auction. These licenses were granted by the FCC in 2007.

Auction 58. The FCC auction of spectrum in the personal communication services ("PCS") band closed on February 15, 2005. U.S. Cellular participated in Auction 58 indirectly through its limited partnership interest in Carroll Wireless L.P. ("Carroll Wireless"). Carroll Wireless paid $129.7 million to the FCC in 2005 for 16 licenses for which it was the successful bidder in the auction. These licenses were granted by the FCC in 2006.

Products and Services

Wireless Devices. U.S. Cellular offers a wide range of wireless handsets and laptop cards for use by its customers. All of the wireless devices that U.S. Cellular offers are compatible with its Code Division Multiple Access ("CDMA") 1XRTT and/or third generation Evolution-Data Optimized ("3G") network. Also, all of the handsets U.S. Cellular currently offers are compliant with the FCC's enhanced wireless 911 ("E-911") requirements. In addition, U.S. Cellular offers a wide range of accessories, such as carrying cases, hands-free devices, batteries, battery chargers and other items to customers, and U.S. Cellular sells wireless devices to agents and other third-party distributors for resale. U.S. Cellular frequently discounts wireless handset devices sold to new and current customers and provides upgraded handsets to current customers in response to competition, to attract new customers or to retain existing customers by reducing the cost of becoming or remaining a wireless customer. In most instances, where permitted by law, customers are required to sign a new service contract or extend their current service contract with U.S. Cellular at the time the handset sale takes place in order to receive such discount.

U.S. Cellular has established service facilities in many of its local markets to ensure quality service and repair of the wireless handset devices it sells. These facilities allow U.S. Cellular to improve its handset repair service by promptly assisting customers who experience equipment problems. Additionally, the following service repair programs are available to U.S. Cellular customers: over-the-counter exchange, smartphone advance exchange, loaner phones, device recycling and returns of devices. U.S. Cellular maintains a repair facility in Tulsa, Oklahoma to handle complex repair issues.

During 2009, U.S. Cellular's smartphone category was expanded with the addition of several BlackBerry® and Windows Mobile®-based handsets, such as the BlackBerry® Tour, BlackBerry® Flip, next generation BlackBerry® Curve, HTC Snap and HTC Touch Pro II. U.S. Cellular also plans to launch Android-based handsets during the second half of 2010. Handset devices that are considered smartphones use an identifiable operating system, often with the ability to add applications such as for enhanced data processing, connectivity or entertainment. In addition, U.S. Cellular expanded its premium handset offering with the addition of the LG Tritan, LG Bliss and Samsung Caliber. Premium handsets provide enhanced web-browsing, email and applications capabilities, but do not utilize an identifiable operating system. U.S. Cellular's competitive smartphone and premium handset offerings play a significant role in driving data service usage and revenues.

U.S. Cellular purchases wireless devices and accessory products from a number of manufacturers, with the substantial majority of such purchases currently made from LG InfoComm, Samsung, Research In Motion, Motorola, Personal Communications Devices, LLC, Superior Communications and Kyocera. U.S. Cellular negotiates volume discounts with its suppliers and works with them in promoting specific equipment in its local advertising. U.S. Cellular does not own significant product warehousing and distribution infrastructure. Instead, it contracts with an outside vendor for substantially all of its handset and other product warehousing, distribution and direct customer fulfillment requirements. For its battery swap program, which is described below, U.S. Cellular contracts with an outside vendor to provide battery warehousing, testing, distribution and procurement services.

U.S. Cellular monitors the financial condition of all of its wireless devices and accessories suppliers. Because U.S. Cellular purchases wireless devices and accessories from numerous suppliers, U.S. Cellular does not expect the deteriorating financial condition of any single supplier to affect U.S. Cellular's ability to offer a competitive variety of wireless devices and accessories for sale to customers.

Wireless Services. U.S. Cellular's customers are able to choose from a variety of packaged voice and data pricing plans that are designed to fit different usage patterns and customer needs, including both postpay and prepay options. The ability to help a customer find the right pricing plan is central to U.S. Cellular's brand positioning. U.S. Cellular generally offers wide area and national consumer plans that can be tailored to a customer's needs by the addition of features or feature packages. Many plans enable small work groups or families to share the plan minutes, enabling customers to get more value for their money. Business rate plans are offered to companies to meet their unique needs. U.S. Cellular's popular national rate plans price all calls, regardless of where they are made or received in the United States, as local calls with no long distance or roaming charges. Additionally, U.S. Cellular offers hybrid prepay service plans, which include unlimited or packages of minutes for a monthly fee.

U.S. Cellular's **easy**edge℠ brand of enhanced data services uses a Binary Runtime Environment for Wireless ("BREW") technology, licensed from Qualcomm, and adds limited computer-like functionality to non-smartphone handsets, enabling applications to be downloaded over-the-air directly to the customer's wireless device. These enhanced data services include news, weather, sports information, games, ring tones and other services. Applications are added to U.S. Cellular's **easy**edge catalog on an ongoing basis. Several significant applications include (1) Mobile Browser, which gives customers connectivity for accessing web e-mail, social networking and other Internet sites, and performing e-commerce transactions, (2) Mobile E-mail, which helps bridge the gap for customers who want to stay connected no matter where they are or what they are doing, (3) Your Navigator, which offers voice-prompted turn-by-turn navigation to help customers reach their destinations, (4) Music Sync™, which turns a customer's handset into a music player and (5) Search & Info, which gives customers the ability to easily search for ring tones, wallpapers, games and applications. U.S. Cellular plans on further expansion of its **easy**edge and other enhanced services in 2010 and beyond.

U.S. Cellular also offers certain enhanced multimedia services, including Digital Radio, Mobile TV and 3D Gaming, over its 3G network.

Marketing

Customer Acquisition and Retention. U.S. Cellular's marketing plan is focused on acquiring, retaining and growing customer relationships by offering high-quality products and services built around customer needs at fair prices, supported by outstanding customer service. U.S. Cellular operates under a unified brand name and logo, U.S. Cellular, across all its markets. In June 2008, U.S. Cellular launched a new branding campaign, Believe in Something Better®. U.S. Cellular believes that creating positive connections with its customers enhances their wireless experience and builds customer loyalty. U.S. Cellular currently offers several innovative, customer-centric programs and services, at no cost to the customer. Under U.S. Cellular's Battery Swap program, a customer can exchange a battery that is dead or dying for one that is fully charged. The Overage Protection service provides customers peace-of-mind by receiving text message alerts when they come close to reaching their allowable monthly plan minutes or text messages in order to avoid overage charges. My Contacts Backup offers extra security for customers knowing that they can retrieve their contact numbers if they lose or damage their phones. U.S. Cellular also offers free incoming calls, text and picture messages.

U.S. Cellular increases customer awareness using traditional media such as television, radio, newspaper and direct mail advertising, and emerging media such as the Internet and sponsorships. U.S. Cellular has achieved its current level of penetration of its markets through a combination of a strong brand position, promotional advertising and broad distribution, and has been able to sustain a high customer retention rate based on its high-quality wireless network and outstanding customer service. U.S. Cellular's advertising is directed at gaining and retaining customers, improving potential customers' awareness of the U.S. Cellular brand, increasing existing customers' usage of U.S. Cellular's services and increasing the public awareness and understanding of the wireless services it offers. U.S. Cellular attempts to select the advertising and promotional media that are most appealing to the targeted groups of potential customers in each local market. U.S. Cellular supplements its advertising with a focused public relations program. This program combines nationally supported activities and unique local activities, events, and sponsorships to enhance public awareness of U.S. Cellular and its brand. These programs are aimed at supporting the communities U.S. Cellular serves. The programs range from loaning phones to public service operations in emergencies, to assisting victims of domestic abuse through U.S. Cellular's Stop Abuse From Existing programs, and to supporting safe driving programs. U.S. Cellular also invests millions of dollars in its education initiatives, such as Calling All Communities and Calling All Teachers, that support schools and teachers in the communities U.S. Cellular serves.

U.S. Cellular historically has maintained a low postpay customer churn rate by focusing on customer satisfaction, development of processes that are more customer-friendly, extensive training of frontline sales and support associates and the implementation of retention programs. The marketing plan stresses the value of U.S. Cellular's service offerings and incorporates combinations of rate plans, additional value-added features and services and wireless devices which are designed to meet the needs of defined customer segments and their usage patterns.

U.S. Cellular currently operates five regional Customer Care Centers with personnel who are responsible for customer service activities, and two national financial services centers with personnel who perform other credit and customer payment activities.

Distribution Channels. U.S. Cellular supports a multi-faceted distribution program, including retail sales and service centers, direct sales, and independent agents in the majority of its markets, plus the Internet and telesales for customers who wish to contact U.S. Cellular through those channels.

Company retail store locations are designed to market wireless service to the consumer and small business segments in a setting familiar to these types of customers. Retail sales associates work in over 400 U.S. Cellular-operated retail stores and kiosks. Direct sales consultants market wireless service to mid-size business customers. U.S. Cellular's e-commerce site enables customers to activate service and purchase handsets online, and this site is continually evolving to address customers' current needs. Traffic on U.S. Cellular's website is increasing as customers use the site for gathering information, purchasing handsets, signing up for service, exploring **easy**edge applications and finding the locations of its stores and agents.

U.S. Cellular maintains an ongoing training program to improve the effectiveness of retail sales associates and direct sales consultants by focusing their efforts on obtaining customers by facilitating the sale of appropriate packages for the customer's expected usage and value-added services that meet customer needs.

U.S. Cellular has relationships with exclusive and non-exclusive agents, which are independent businesses that obtain customers for U.S. Cellular on a commission basis. At December 31, 2009, U.S. Cellular had contracts with these businesses aggregating over 1,100 locations. U.S. Cellular provides additional support and training to its exclusive agents to increase customer satisfaction for customers they serve. U.S. Cellular's agents are generally in the business of selling wireless devices, wireless service packages and other related products, and include major appliance dealers and car stereo companies. No single agent accounted for 10% or more of U.S. Cellular's operating revenues during the past three years.

U.S. Cellular also markets wireless service through resellers. The resale business involves the sale of wholesale access and minutes to independent companies that package and resell wireless services to end-users. These resellers generally provide prepay and postpay services to subscribers under their own brand names and also provide their own billing and customer service. U.S. Cellular incurs no direct subscriber acquisition costs related to reseller customers. At December 31, 2009, U.S. Cellular had approximately 397,000 customers of resellers. For the year ended December 31, 2009, revenues from resale business were less than 1% of total service revenues.

Customers and System Usage

U.S. Cellular provides service to a broad range of customers from a wide array of demographic segments. U.S. Cellular uses a segmentation model to classify businesses and consumers into logical groupings for developing new products and services, direct marketing campaigns, and retention efforts. U.S. Cellular focuses on both retail consumer and business customers, with its business customer focus being on small-to-mid-size businesses in vertical industries such as construction, retail, professional services and real estate. These industries are primarily served through U.S. Cellular's retail and direct sales channels.

U.S. Cellular's main sources of revenues are from its own customers and from customers of competitors who roam on its network. The interconnectivity of wireless service enables a customer who is in a wireless service area other than the customer's home service area ("a roamer") to place or receive a call in that service area. U.S. Cellular has entered into reciprocal roaming agreements with operators of other wireless systems covering virtually all systems with CDMA technology in the United States, Canada and Mexico. Roaming agreements offer customers the opportunity to roam on these systems. These reciprocal agreements automatically pre-register the customers of U.S. Cellular's systems in the other carriers' systems. In addition, a customer of a participating system roaming in a U.S. Cellular market where this arrangement is in effect is able to make and receive calls on U.S. Cellular's system. The charge for this service is negotiated as part of the roaming agreement between U.S. Cellular and the roaming customer's carrier. U.S. Cellular bills this charge to the customer's home carrier, which then bills the customer. In many instances, based on competitive factors, carriers, including U.S. Cellular, may charge lower amounts to their customers than the amounts actually charged by other wireless carriers for roaming.

U.S. Cellular's customer bills typically show separate charges for voice usage features, airtime in excess of the packaged amount (such packages may include roaming and long-distance usage), roaming, long-distance calls and data usage features, to the extent that such features are not included in the service plan package. As indicated above, U.S. Cellular's customers are able to choose from a variety of packaged voice and data pricing plans that are designed to fit different usage patterns and needs. Voice usage features provided by U.S. Cellular include wide area, national and mobile-to-mobile call delivery, caller ID blocking, call forwarding, voicemail, call waiting and three-way calling. Data usage features provided by U.S. Cellular include email services, instant messaging, and text and picture messaging.

Technology and System Design and Construction

Technology. Wireless communication systems transmit voice, data, graphics and video through the transmission of signals over networks of radio towers using radio spectrum licensed by the FCC. Access to local, regional, national and worldwide telecommunications networks is provided through system interconnections.

U.S. Cellular currently deploys CDMA 1XRTT digital technology throughout virtually all of its networks. Through roaming agreements with other CDMA-based wireless carriers, U.S. Cellular's customers may access CDMA service in virtually all areas of the United States. U.S. Cellular believes that CDMA technology offers advantages compared to the other second generation digital technologies, including greater spectral efficiency as well as better call quality. Another digital technology, Global System for Mobile Communication ("GSM"), has a larger installed base of customers worldwide. Since CDMA technology currently is not compatible with GSM technology, U.S. Cellular customers with CDMA-only based handsets are currently not able to use their handsets when traveling through areas serviced only by GSM-based networks. However, both CDMA and GSM technology are expected to be succeeded by fourth generation Long-Term Evolution ("LTE") technology within several years, which is expected to result in most CDMA and GSM carriers having compatible technologies once they converge to LTE.

A high-quality network, supported by continued prudent investments in that network, will remain an important factor for wireless companies to remain competitive. U.S. Cellular continually reviews its long-term technology plans. Since 2006, U.S. Cellular has offered services based on 3G technology. This technology, which increases the speed of data transmissions on the wireless network, is deployed by certain other wireless companies. As of December 31, 2009, U.S. Cellular deployed 3G technology that covered 75% of its customers. U.S. Cellular plans to continue the expansion and anticipates that approximately 98% of its customers will be 3G covered by the end of 2010.

U.S. Cellular selected LTE technology as its approach to address demand for services enabled by fourth generation wireless technology. In late 2009, U.S. Cellular began technical trials of LTE in support of gaining knowledge of the customer benefits and technical expertise. This will enhance U.S. Cellular's planning for future LTE deployment opportunities. Another fourth generation technology, WiMax, recently has been deployed in certain U.S. markets by Sprint Nextel and a related entity, Clearwire. Although this fourth generation technology is being deployed ahead of LTE, most other wireless carriers, including Verizon, AT&T, Vodafone, China Mobile and several other major international wireless service providers, have announced plans to deploy LTE. As a result, LTE is expected to have more worldwide compatibility and cost efficiencies compared to WiMax.

System Design and Construction. U.S. Cellular designs and constructs its systems in a manner it believes will permit it to provide high-quality service to substantially all types of wireless devices that are compatible with its network technology. Designs are based on engineering studies which relate to specific markets. Such engineering studies are performed by U.S. Cellular personnel or third-party engineering firms. Network reliability is given careful consideration and extensive backup redundancy is employed in many aspects of U.S. Cellular's network design. Route diversity, ring topology and extensive use of emergency standby power are also utilized to enhance network reliability and minimize service disruption from any particular network element failure.

In accordance with its strategy of building and strengthening its operating market areas, U.S. Cellular has selected high-capacity digital wireless switching systems that are capable of serving multiple markets through a single mobile telephone switching office. U.S. Cellular's wireless systems are designed to facilitate the installation of equipment that will permit microwave interconnection between the mobile telephone switching office and the cell sites. U.S. Cellular has implemented such microwave interconnection in many of the wireless systems it operates. In other areas, U.S. Cellular's systems rely upon wireline telephone connections to link cell sites with the mobile telephone switching office. Although the installation of microwave network interconnection equipment requires a greater initial capital investment, a microwave network enables a system operator to reduce the current and future charges associated with leasing backhaul capacity from a wireline telephone company.

U.S. Cellular believes that currently available technologies and appropriate capital additions will allow sufficient capacity on its networks to meet anticipated demand for voice services over the next few years. U.S. Cellular's continued investment in new licenses will support future demand for fourth generation broadband services using LTE. Increasing demand for high-speed data and video services may require the acquisition of additional licenses or spectrum to provide sufficient capacity in markets where U.S. Cellular currently offers or may in the future offer these services.

Construction of wireless systems is capital-intensive, requiring substantial investment for land and improvements, buildings, towers, mobile telephone switching offices, cell site equipment, microwave equipment, engineering and installation. U.S. Cellular uses primarily its own personnel to engineer each wireless system it owns and operates, and engages contractors to construct the facilities.

The costs (inclusive of the costs to acquire licenses) to develop the systems in which U.S. Cellular owns a controlling interest have historically been financed primarily through proceeds from debt and equity offerings and, in certain prior years, with cash generated by operations and proceeds from the sales of wireless interests. U.S. Cellular expects to meet most of its future funding requirements with cash generated by operations and funds available under its revolving credit facility. U.S. Cellular also may have access to public and private capital markets to help meet its long-term financing needs.

Competition

The wireless telecommunication industry is highly competitive. U.S. Cellular competes directly with several wireless service providers in each of its markets. In general, there are between three and five competitors in each wireless market in which U.S. Cellular provides service, excluding resellers and mobile virtual network operators ("MVNOs"). U.S. Cellular generally competes against each of the national wireless companies: Verizon Wireless, AT&T Mobility, Sprint Nextel, and T-Mobile USA. However, not all of these competitors operate in each market where U.S. Cellular does business. These competitors have substantially greater financial, technical, marketing, sales, purchasing and distribution resources than U.S. Cellular. In addition, U.S. Cellular competes against other regional wireless companies in certain areas, including Leap Wireless International, and resellers of wireless services. Since U.S. Cellular's competitors do not disclose their subscriber counts in specific regional service areas, market share for the competitors in each regional market cannot be precisely determined.

Since each of these competitors operates on systems using spectrum licensed by the FCC and has comparable technology and facilities, competition among wireless service providers for customers is principally on the basis of types of products and services, price, size of area covered, call quality, network speed and responsiveness of customer service. U.S. Cellular employs a customer satisfaction strategy throughout its markets that it believes has contributed to its overall success.

Wireless service providers continue to use handset availability and pricing to gain a competitive advantage, as almost everyone who wants and can afford a wireless handset already has one. The wireless handset is more than just a means for communication. Consumers' attitudes have shifted, and continue to shift, and a wireless handset becomes more important year after year as it expands to become the primary communication link to the world as well as a personal entertainment center and source of information. The availability of handsets on an exclusive basis to certain carriers provides them with a competitive advantage. As penetration in the industry increases over the next few years, U.S. Cellular believes that customer growth will be achieved primarily by capturing persons switching from other wireless carriers or increasing the number of multi-device users rather than by adding users that are new to the industry.

The use of national advertising and promotional programs by the national wireless service providers may be a source of additional competitive and pricing pressures in all U.S. Cellular markets, even if those operators may not provide direct service in a particular market. In addition, in the current wireless environment, U.S. Cellular's ability to compete depends on its ability to offer family and national calling plans. U.S. Cellular provides wireless services comparable to the national competitors, but the national wireless companies operate in a wider geographic area and are able to offer no- or low-cost roaming and long-distance calling packages over a wider area on their own networks than U.S. Cellular can offer on its network. When U.S. Cellular offers the same calling area as one of these competitors, U.S. Cellular incurs roaming charges for calls made in portions of the calling area, which are not part of its network, thereby increasing its cost of operations. In the central market area, U.S. Cellular's largest contiguous service area, U.S. Cellular can offer larger regional service packages without incurring significant roaming charges than it is able to offer in other parts of its network. U.S. Cellular depends on roaming agreements with other wireless carriers to provide voice and data roaming capabilities in areas not covered by U.S. Cellular's network.

Bundled offerings, in the form of "triple plays" and "quadruple plays" (combination of cable or satellite television service, high-speed Internet, wireline phone service, and wireless phone service), are common among some of U.S. Cellular's competitors. In addition, wireless carriers and others are beginning to roll out new or enhanced technologies to better meet the needs of the "anytime, anywhere" consumer. Convergence is taking place on many levels, including dual-mode devices that act as wireline or mobile phones depending on location and the incorporation of wireless "hot spot" technology in mobile handsets for improved in-building coverage and for making Internet access seamless regardless of location. Although less directly a substitute for other wireless services, wireless data services such as Wi-Fi may be adequate for those who do not need full mobility wide area roaming or full two-way voice services. Technological advances or regulatory changes in the future may make available other alternatives to wireless service, thereby creating additional sources of competition.

U.S. Cellular's approach in 2010 and in future years will be to focus on the unique needs and attitudes towards wireless service of its selected target segments. U.S. Cellular will deliver selected, targeted high quality products and services at fair prices and will continue to differentiate itself through the customer experience and service quality. U.S. Cellular's ability to compete successfully in the future will depend upon its ability to anticipate and respond to changes related to new service offerings, customer preferences, competitors' pricing strategies, technology, demographic trends, economic conditions and access to adequate spectrum resources.

Regulation

Regulatory Environment. U.S. Cellular's operations are subject to FCC and state regulation. The wireless licenses that are held by U.S. Cellular and by the designated entities in which U.S. Cellular owns a non-controlling interest are granted by the FCC for the use of radio frequencies and are an important component of the overall value of U.S. Cellular's consolidated assets. The construction, operation and transfer of wireless systems in the United States are regulated to varying degrees by the FCC pursuant to the Communications Act of 1934 ("Communications Act"). In 1996, Congress enacted the Telecommunications Act of 1996 ("Telecommunications Act"), which amended the Communications Act. The Telecommunications Act mandated significant changes in telecommunications rules and policies to promote competition, ensure the availability of telecommunications services to all parts of the United States and streamline regulation of the telecommunications industry to remove regulatory burdens, as competition develops. The FCC has promulgated regulations governing construction and operation of wireless systems, licensing (including renewal of licenses) and technical standards for the provision of wireless services under the Communications Act, and is implementing the legislative objectives of the Telecommunications Act, as discussed below.

Licensing—Wireless Service. Various wireless licenses are granted by the FCC based on various geographic areas. The completion of acquisitions, involving the transfer of control of all or a portion of a wireless system, requires prior FCC approval. The FCC determines whether an acquisition of wireless licenses is in the public interest on a case-by-case basis.

The Communications Act also requires the FCC to award new licenses for most commercial wireless services through a competitive bidding process in which spectrum is awarded to bidders in an auction. From time to time, the FCC conducts auctions through which additional spectrum is made available for the provision of wireless services. U.S. Cellular has participated in such auctions in the past and is likely to participate in any other auctions conducted by the FCC in the future as an applicant or as a non-controlling partner in another auction applicant. FCC anti-collusion rules place certain restrictions on business communications and disclosures by participants in an FCC auction.

Licensing—Facilities. The FCC must be notified each time an additional cell site for a wireless system is constructed which enlarges the service area of a given wireless market. U.S. Cellular believes that its facilities are in compliance with these requirements.

Licensing—Commercial Mobile Radio Service. Pursuant to 1993 amendments to the Communications Act, cellular, personal communications, advanced wireless, and 700 megahertz services are classified as commercial mobile radio service, in that they are services offered to the public for a fee and are interconnected to the public switched telephone network. The FCC has determined that it will not require carriers providing such services to comply with a number of statutory provisions otherwise applicable to common carriers, such as the filing of tariffs. All commercial mobile radio service wireless licensees must satisfy specified coverage requirements. Licensees which fail to meet the coverage requirements may be subject to forfeiture of their licenses.

Wireless licenses are generally granted for a ten year term or, in some cases, for fifteen years. The FCC has established standards for conducting comparative renewal proceedings between a wireless licensee seeking renewal of its license and challengers filing competing applications. All of U.S. Cellular's licenses which it applied to have renewed between 1995 and 2009 have been renewed.

U.S. Cellular conducts and plans to conduct its operations in accordance with all relevant FCC rules and regulations and anticipates being able to qualify for renewal expectancy in its upcoming renewal filings. Accordingly, U.S. Cellular believes that current regulations will have no significant effect on the renewal of its licenses. However, changes in the regulation of wireless operators or their activities and of other mobile service providers could have a material adverse effect on U.S. Cellular's operations.

There are certain ongoing regulatory matters which are of particular importance to the wireless industry, as follows.

E-911. The FCC has imposed E-911 regulations on wireless carriers. The rules require wireless carriers to provide different levels of detailed location information about E-911 callers depending on the capabilities of the local emergency call center. U.S. Cellular is in compliance with the FCC's requirements regarding E-911.

Recovery Act. In 2009, Congress enacted the American Recovery and Reinvestment Act of 2009, or the Recovery Act, which provides, among other things, for an aggregate appropriation of $7.2 billion to fund grants and loans to provide broadband infrastructure, access and equipment to consumers residing in rural, unserved or underserved areas of the United States. Hundreds of entities applied for such funding in the first round, including U.S. Cellular. U.S. Cellular has been notified that those applications were not granted. U.S. Cellular is currently considering submitting additional applications for grants in the second round of funding, which applications are due March 15, 2010. The distribution of Recovery Act funds to other telecommunications service providers could impact competition in certain of U.S. Cellular's service areas.

National Broadband Plan. Among the provisions in the legislation that Congress enacted in 2008 to stimulate the economy was a requirement that the FCC develop a national broadband plan that seeks to ensure that every American has access to broadband capability. In April 2009, the FCC initiated an inquiry to develop that plan and has since indicated it intends to deliver that plan to Congress in March 2010. U.S. Cellular cannot predict the outcome of the FCC's inquiry or how the matters ultimately covered in the plan will affect its business.

Telecommunications Act — General. The primary purpose and effect of the Telecommunications Act is to open all telecommunications markets to competition. The Telecommunications Act makes most direct or indirect state and local barriers to competition unlawful. It directs the FCC to preempt all inconsistent state and local laws and regulations, after notice and comment proceedings. It also enables electric and other utilities to engage in telecommunications service through qualifying subsidiaries.

Only narrow powers over wireless carriers are left to state and local authorities. Each state retains the power to impose competitively neutral requirements that are consistent with the Telecommunications Act's universal service provisions and necessary for universal services, public safety and welfare, continued service quality and consumer rights. While a state may not impose requirements that effectively function as barriers to entry, it retains limited authority to regulate certain competitive practices in rural telephone company service areas.

The Telecommunications Act establishes principles and a process for implementing a modified "universal service" policy. This policy seeks nationwide, affordable service and access to advanced telecommunications and information services. It calls for reasonably comparable urban and rural rates and services. The Telecommunications Act also requires universal service to schools, libraries and rural health facilities at discounted rates. Wireless carriers must provide such discounted rates to such organizations in accordance with federal regulations. The FCC has implemented the mandate of the Telecommunications Act to create a universal service support mechanism "to ensure that all Americans have access to telecommunications services." The Telecommunications Act requires all interstate telecommunications providers, including wireless service providers, to "make an equitable and non-discriminatory contribution" to support the cost of providing universal service, unless their contribution would be *de minimis*. At present, the provision of wireline and wireless telephone service in high cost areas is subsidized by support from the "universal service fund", to which all carriers with interstate and international revenues must contribute. Carriers are free to pass such contributions on to their customers. In 2009, U.S. Cellular contributed over $90 million into the universal service fund.

Wireless carriers also are eligible to receive universal service support payments in certain circumstances if they provide specified services in "high cost" areas. U.S. Cellular has sought designation as an eligible telecommunications carrier ("ETC") qualified to receive universal service support in a number of states. To date, U.S. Cellular has been designated as an ETC in the states of Illinois, Iowa, Kansas, Maine, Missouri, Nebraska, New Hampshire, New York, North Carolina, Oklahoma, Oregon, Tennessee, Virginia, Washington, Wisconsin and West Virginia; in 2009, U.S. Cellular earned approximately $151 million in high cost support for its service to high cost areas in these states.

In May 2008, the FCC adopted a state-by-state temporary cap to funding for competitive ETCs based on the funding level available as of March 31, 2008. The cap has had the effect of reducing the amount of support that U.S. Cellular would otherwise have been eligible to receive. During 2010, the FCC will likely issue a notice of proposed rulemaking to consider reform of the universal service fund ("USF") program in conjunction with the issuance of a National Broadband Plan in March 2010. Adoption of a USF reform proposal by the FCC could have a significant, and adverse, impact on the amount of support, if any, wireless ETCs continue to receive. The outcome of such a proceeding is unknown at this time.

In 2009, the FCC initiated a rulemaking proceeding designed to codify its existing "Net Neutrality" principles and impose new requirements that could have the effect of restricting the ability of wireless Internet service providers to manage applications and content that traverse their networks. U.S. Cellular cannot predict whether this proceeding will result in new rules, and, if so, the extent to which those new rules will affect its ability to provide wireless Internet access service on a cost-effective basis. U.S. Cellular also cannot predict what effect, if any, this proceeding will have on its competitors or the growing markets for Internet-based applications and wireless Internet access.

State and Local Regulation. U.S. Cellular is also subject to state and local regulation in some instances. In 1981, the FCC preempted the states from exercising jurisdiction in the areas of licensing, technical standards and market structure. In 1993, Congress preempted states from regulating the entry of wireless systems into service and the rates charged by wireless systems to customers. The siting and construction of wireless facilities, including transmitter towers, antennas and equipment shelters are still subject to state or local zoning and land use regulations. However, in 1996, Congress amended the Communications Act to provide that states could not discriminate against wireless carriers in tower zoning proceedings and had to decide on zoning requests with reasonable speed. In addition, states may still regulate other terms and conditions of wireless service.

In 2000, the FCC ruled that the preemption provisions of the Communications Act do not preclude the states from acting under state tort, contract, and consumer protection laws to regulate the practices of commercial mobile radio service carriers, even if such activities might have an incidental effect on wireless rates. This ruling has led to more state regulation of commercial mobile radio service carriers, particularly from the standpoint of consumer protection. U.S. Cellular intends to comply with state regulation and to seek reasonable regulation of its activities in this regard.

The FCC is required to forbear from applying any statutory or regulatory provision that is not necessary to keep telecommunications rates and terms reasonable or to protect consumers. A state may not apply a statutory or regulatory provision that the FCC decides to forbear from applying. In addition, the FCC must review its telecommunications regulations every two years and change any that are no longer necessary. Further, the FCC is empowered under certain circumstances to preempt state regulatory authorities if a state is obstructing the Communications Act's basic purposes.

U.S. Cellular and its subsidiaries have been and intend to remain active participants in proceedings before the FCC and state regulatory authorities. Proceedings with respect to the foregoing policy issues before the FCC and state regulatory authorities could have a significant impact on the competitive market structure among wireless providers and the relationships between wireless providers and other carriers. U.S. Cellular is unable to predict the scope, pace or financial impact of policy changes which could be adopted in these proceedings.

Radio Frequency Emissions. The FCC has adopted rules specifying standards and the methods to be used in evaluating radio frequency emissions from radio equipment, including network equipment and handsets used in connection with commercial mobile radio service. These rules were upheld on appeal by the U.S. Court of Appeals for the Second Circuit. The U.S. Supreme Court declined to review the Second Circuit's ruling. U.S. Cellular's network facilities and the handsets it sells to customers comply with these standards.

TDS Telecom Operations

General

TDS' wireline telecommunications operations are conducted through its wholly owned subsidiary TDS Telecom which is headquartered in Madison, Wisconsin. TDS Telecom is a holding company that, through its Incumbent Local Exchange Carrier ("ILEC") subsidiaries, provides local and long-distance voice service, broadband services, network access and video services, to rural and suburban communities. TDS Telecom served approximately 775,900 equivalent access lines through 115 ILEC subsidiaries in 28 states as of December 31, 2009.

TDS Telecom subsidiaries also provide telecommunications services as a competitive local exchange carrier in five Midwestern states under the TDS Metrocom brand name. Competitive Local Exchange Carriers ("CLEC") enter the operating areas of ILECs to offer local exchange and other telephone services. TDS Telecom served approximately 355,900 equivalent access lines through its CLEC subsidiaries at December 31, 2009.

The table below sets forth, as of December 31, 2009, the ten largest states in which TDS Telecom's operations are located, based on the number of equivalent access lines and the percentage of the total number of equivalent access lines operated by all of the telephone subsidiaries of TDS Telecom.

State	Number of Equivalent Access Lines(1) December 31, 2009	Percent of Total
Wisconsin	365,500	32%
Michigan	125,500	11%
Tennessee	110,600	10%
Minnesota	100,100	9%
Georgia	58,900	5%
New Hampshire	39,800	4%
Indiana	38,500	3%
Alabama	29,800	3%
Maine	28,100	3%
Illinois	27,300	2%
Total for 10 Largest States	924,100	82%
Other States	207,700	18%
Total	1,131,800	100%

(1) "Equivalent access lines" are the sum of physical access lines and high-capacity data lines adjusted to estimate the equivalent number of physical access lines in terms of capacity, plus the number of Managed IP stations. A physical access line is the individual circuit connecting a customer to a telephone company's central office facilities.

The following table summarizes additional information regarding TDS Telecom's ILEC and CLEC customer operations for the past three years:

	December 31,		
	2009	2008	2007
ILEC			
Equivalent access lines	775,900	776,700	762,700
% Residential	76.1%	76.7%	76.4%
% Business	23.9%	23.3%	23.6%
Physical access lines	536,300	566,200	585,600
High speed data customers(1)	208,300	178,300	143,800
Managed IP stations(2)	1,900	600	—
Long-distance customers	362,800	347,000	345,200
CLEC			
Equivalent access lines	355,900	393,000	435,000
% Residential	20.9%	25.3%	30.1%
% Business	79.1%	74.7%	69.9%
High speed data customers(1)	36,900	40,800	43,900
Managed IP stations(2)	12,000	2,100	—

(1) The number of customers provided high-capacity data circuits via various technologies, including digital subscriber lines ("DSL"), managed Internet Protocol ("Managed IP") and dedicated Internet circuit technologies.
(2) The number of telephone handsets providing communications using packet networking technology.

Business Strategy and Competition

TDS Telecom's strategy is to be the preferred provider of voice, broadband, and video services in its chosen markets. To effectively compete in its chosen markets, TDS Telecom is continuing new service and product development to provide high-quality leading edge services to its customers that can be leveraged by both its ILEC and CLEC operations. TDS Telecom is actively investing in networks and deploying advanced technologies. TDS Telecom is also actively advocating with respect to state and federal regulatory frameworks that would enable its operations to grow profitably and continue to meet customer expectations for new and improved services as well as continuing to explore transactions to acquire or divest properties that would result in strengthening its operations.

TDS Telecom seeks to protect and grow revenue streams by outperforming market competitors by providing its customers with state-of-the-art telecommunications solutions and maintaining superior service. Management believes that TDS Telecom has a number of advantages, including a modern network substantially upgraded to provide a variety of advanced calling and broadband services, a strong local presence and an established brand name.

The competitive environment in the telecommunications industry has changed significantly as a result of technological advances, changing customer requirements and changes to regulation. TDS Telecom continues to seek to develop and maintain an efficient cost structure to ensure that it can match price-based initiatives from competitors. Both ILECs and CLECs are faced with significant challenges, including competition from cable television, wireless and other wireline providers, the industry decline in use of second lines by customers, decreases in intercarrier compensation for the use of owned networks, increases in the cost for use of other providers' networks, and technologies such as Voice over Internet Protocol ("VoIP"). These challenges could have a material adverse effect on the financial condition, results of operations and cash flows of TDS Telecom.

New and Developing Technologies

An important component of TDS Telecom's business strategy is to develop high-growth services, particularly IP-based, broadband services. Broadband services are one of the fastest growing portions of the telecommunications services industry. In light of the growth of Internet use and rapid introduction of new voice and data applications, TDS Telecom intends to offer a suite of IP-based, broadband services in all of its markets and advance the technology where it is already deployed. This will allow TDS Telecom to position itself as a full-service broadband services provider to both residential and commercial customers. Various services utilizing broadband connections are in various stages of research and development including:

- TDS Telecom introduced its first suite of VoIP services for its commercial customers in the Madison, Wisconsin area in 2007, rolling the suite of services out to all remaining CLEC markets and the Monticello, Minnesota ILEC market in 2008. In 2009 VoIP services were also offered in the Tennessee and Georgia ILEC markets. This suite allows customers to integrate voicemail and e-mail messaging platforms, self-provision advanced calling features, and integrate telephone sets with their computers. These services are provided over broadband connections to a hosted VoIP environment provided by TDS Telecom.

- TDS Telecom believes that demand for "Triple Play" (voice, broadband and video) services is clearly demonstrated in the marketplace. TDS Telecom currently has an Internet Protocol television ("IPTV") trial underway in two ILEC markets. In addition to this terrestrial video trial, an agreement with a direct broadcast satellite provider positions TDS Telecom to compete for Triple Play customers across virtually all of its markets. TDS Telecom believes there are early signs of the emergence of a substantial market for on-demand TV, that TDS Telecom's high-speed broadband networks will be well positioned to offer.

Acquisitions and Divestitures

TDS Telecom may make opportunistic acquisitions of operating telephone companies, customers, or related service businesses. Since January 1, 2005, TDS Telecom has acquired four ILECs that at the dates of their purchases served a total of 26,600 equivalent access lines for an aggregate consideration totaling $71 million in cash.

Telephone holding companies and others actively compete for the acquisition of telephone companies and such acquisitions are subject to the consent or approval of regulatory agencies in most states and in some cases of the FCC and of the Department of Justice. Also in some cases, these acquisitions are subject to the obtaining of federal waivers that may affect the form of regulation or amount of interstate cost recovery of the acquired telephone exchanges. The TDS acquisition strategy is to focus on geographic clustering of telephone companies to achieve cost economies and to complement TDS Telecom's product and services growth strategy. While management believes that it will be successful in making additional acquisitions, there can be no assurance that TDS or TDS Telecom will be able to negotiate additional acquisitions on terms acceptable to them or that regulatory approvals, where required, will be received.

Incumbent Local Exchange Carrier Segment

TDS Telecom was the eighth largest local exchange telephone company in the United States as of December 31, 2009. This ranking was based on the number of telephone access lines served and excludes the telephone operations of cable television companies. All of TDS Telecom's access lines are served by digital switching technology, which, in conjunction with other technologies, allows TDS Telecom to offer additional premium services to its customers.

Products, Services and Revenue Sources

TDS Telecom generates revenues by providing customers:

- Local services, which include basic local telephone service and enhanced local services like voice mail, caller ID and call forwarding;

- Network access services to interexchange carriers for the origination and termination of interstate and intrastate long distance phone calls on TDS Telecom's network and special access services to carriers and others;

- Long distance services;

- Data and Internet services, including dial-up and DSL Internet access service and other enhanced data services; and
- Other services and sales, including the sale, installation and maintenance of customer premise voice and data equipment, and satellite and terrestrial video.

Each TDS Telecom ILEC provides direct telecommunications services to both residential and business customers that reside within their respective service territories. Retail operations consist of residential and business customers. Wholesale customers are primarily interexchange carriers (companies that provide long-distance telephone and data services between local exchange areas) that compensate TDS Telecom for providing services in connection with the use of its facilities to originate and terminate their interstate and intrastate voice and data transmissions.

TDS Telecom's ILEC retail operations provide wireline local telephone service, access to the long-distance network, broadband service and video through a resale agreement with a satellite provider. Long-distance service is provided by TDS Telecom's own long-distance unit that resells long-distance service in its ILEC markets and through connections with long-distance carriers which purchase network access from the TDS Telecom ILECs.

The retail customer base is a mix of rural, small town and suburban customers, with concentrations in the Upper Midwest and the Southeast. As of December 31, 2009, approximately 84% of TDS Telecom's ILEC retail customers are located in rural and small town areas, while the other 16% are located in more suburban markets. TDS Telecom's promotional and sales strategy for the retail customer consists of two major initiatives: building brand equity by creating awareness of the TDS Telecom brand name and using direct marketing to sell specific products and services. The more rural and diverse nature of TDS Telecom's markets has historically made direct marketing more efficient and cost effective than mass media such as radio, television and newspapers. In addressing its consumer markets, TDS Telecom has made extensive and aggressive use of direct mail. It has been more selective, though still active, in the use of other alternative marketing channels such as telemarketing and door-to-door sales as a means of generating sales. TDS Telecom continues to explore new ways of marketing such as using facebook and Twitter, in particular, and generally finding ways to better take advantage of the marketing capabilities of the Internet. Uniform branding is making the use of mass media more attractive, and TDS Telecom has increasingly incorporated these elements into its media mix.

Most ILEC business customers could be described as small to medium-sized businesses or small office/home office customers. TDS Telecom focuses its marketing on information-intensive industries such as financial services, health services, real estate, hotels and motels, education and government. TDS Telecom uses its direct sales force, targeted mailings, and telemarketing to sell products and services to the commercial markets, which are segmented into tiers based on size (in terms of both lines and revenues) and strategic importance. Different sales and distribution channels are targeted at each segment.

TDS Telecom continues to provide a high level of service to traditional interexchange carrier wholesale customers such as AT&T, Verizon and Sprint. TDS Telecom's wholesale market focus is on access revenues which is the compensation received for carrying interstate and intrastate long distance and data traffic on its networks. Access services generated $271 million, or approximately 45% of TDS Telecom's ILEC revenue for the year ended December 31, 2009. The interstate and intrastate access rates charged include the cost of providing service plus a fair rate of return on the plant investment used to provide such service. Recent and proposed regulatory changes and mergers discussed below may affect the sources of TDS Telecom's ILEC wholesale revenues.

Both states and the FCC are currently examining regulated forms of access and accompanying compensation, however, the prospect for action is uncertain. See "Incumbent Local Exchange Carrier Regulation" below.

Incumbent Local Exchange Carrier Market Strategy

Central to the ILEC market strategy is providing a high quality network, superior customer service, offering a full complement of services with value-added bundles and packages, and building brand equity in TDS Telecom.

TDS Telecom distinguishes itself in the way customer service is offered to its retail customers. TDS Telecom operates ILEC companies in 28 states with professional field service representatives who both live and work in many of the communities they serve. To better meet the changing needs of its customers, TDS Telecom utilizes specialized customer service teams to more effectively and efficiently serve the individual needs of its retail customer segment.

Management of TDS Telecom believes that its residential and business customers have a strong preference to purchase complementary telecommunications services from a single provider. TDS Telecom has found that by offering and bundling services in customer-friendly packages, it can build customer loyalty and reduce customer churn. TDS Telecom offers bundles which include local telephone services, broadband services, long-distance services and video services principally offered through a sales agency relationship with satellite provider DISH Network LLC.

TDS Telecom's objective is to be the preferred broadband provider in its ILEC markets by offering a wide range of premium Internet services. It continues to invest in DSL and as of December 31, 2009, was able to provide this service to 93% of its ILEC access lines. At that date, 62% of its ILEC DSL customers had 3 megabits per second or faster service.

TDS Telecom continued to expand its presence in the business broadband market with high-speed symmetrical dedicated broadband, hosted-managed Internet Protocol telephony, point-to-point Ethernet and co-location products. Hosted-managed Internet Protocol telephony (known as managed IP) delivers business customers a converged voice and data communications solution to the desktop. Point-to-point Ethernet provides customers secure and reliable high-speed data links for two or more locations over TDS Telecom's internal network, not the public Internet. Co-location provides customer web server hosting at a TDS Telecom facility, providing space for computer equipment and Internet bandwidth connection in a controlled-environment.

TDS Telecom has continued to grow its long-distance product line and is the number one long-distance provider for its local service customers in its ILEC territories. Sixty-eight percent of TDS' ILEC physical access lines have a TDS long-distance product at December 31, 2009.

TDS Telecom continued to build on its brand identity by increasing its Internet web presence. TDS Telecom's web site offers product and service information, product and service ordering capability, electronic payment options, customer account management and Company information. TDS Telecom continues to leverage its sales and marketing messages through cost-effective public relations activities. For example, TDS Telecom has a sports marketing agreement with the University of Wisconsin for advertising and signage throughout the university sports complexes and other high-traffic areas, which increases awareness of the TDS Telecom brand (covering both ILEC and CLEC) with current and potential customers. Management of TDS Telecom believes that branding will increase the loyalty of its customers and reduce expenses through more cost-effective marketing.

Incumbent Local Exchange Carrier Technology

TDS Telecom continues its program of transitioning to an Internet Protocol ("IP") based broadband network. TDS Telecom intends to meet competition by providing its customers with high-quality telecommunications services and building its network to take advantage of a full complement of advanced telecommunications technologies, including plans to:

- Establish more robust Internet connectivity to its exchanges, which will provide both greater capacity and more reliability;
- Continue to extend fiber to its digital serving areas. A digital serving area is a defined geographic area within an exchange that is served by a digital-loop carrier system. The digital-loop carrier system extends the data capability of the central office to the defined geographic area. Having fiber-fed digital serving areas allows the expansion of services (such as higher broadband speeds) to more customers located at a greater distance from the central office equipment;
- Continue to invest in technologies that leverage its existing copper plant. These copper-based technologies include a range of DSL products that enable high-speed broadband access. These technologies can be deployed over single or multiple copper loops to both residential and commercial customers;
- Deploy passive optical network technology, which enables significantly greater broadband speeds, to new residential subdivisions and to commercial customers when the investment is economically justified; and
- Implement a Multi-Gigabit Wide Area Network (WAN) that will evolve TDS Telecom's broadband backhaul network to meet its customers' capacity and reliability demands and enables the benefits of access line aggregation scale in both new product development and operational efficiency.

As TDS Telecom continues to upgrade and expand its network, it is also standardizing equipment and processes to increase efficiency. For example, TDS Telecom utilizes centralized monitoring and management of its network to reduce costs and improve service reliability. Network standardization has supported TDS Telecom in operating its 24-hours-a-day / 7-days-per-week Network Management Center, which continuously monitors the network in an effort to proactively identify and correct network faults prior to any customer impact.

Incumbent Local Exchange Carrier Competition

The Telecommunications Act of 1996 ("Telecommunications Act") initiated a process of transformation in the telecommunications industry. Public policy has for some time embraced the dual objectives of universal service and competition for long-distance services and, to a more limited extent, permitted some local service competition, for example, from wireless providers. The Telecommunications Act, however, established local competition as a national telecommunications policy. The Telecommunications Act requires non-exempt ILECs to provide interconnection services and access to unbundled network elements to any CLEC that seeks to enter the ILECs' markets. The Telecommunications Act also allows CLECs to co-locate network equipment in ILEC central offices and prevents ILECs and CLECs from unduly restricting each other from the use of facilities or information that enable competition. The FCC has adopted rules implementing the Telecommunications Act and establishing the pricing that ILECs are able to charge for interconnection services and for providing elements of the network. However, all except three of the TDS Telecom ILECs remain exempt from the most burdensome market opening requirements. See the "Incumbent Local Exchange Carrier Regulation" section below for a discussion on rural exemptions. The exemption rules, coupled with the challenging economics of competing in lower population density markets and the high service quality TDS Telecom provides, have delayed wireline CLECs' entry into some of TDS Telecom's ILEC markets. TDS Telecom, however, has experienced physical access line losses due to competition from cable providers offering voice (VoIP) and data services via cable modems, from wireless carriers offering local and nationwide calling plans, and from other VoIP providers, as well as due to the decline in customer demand for second lines.

Cable television companies have developed technological improvements that have allowed them to extend their competitive operations beyond major markets and that enable them to provide a broader range of voice and data services over their cable networks; and several national cable companies have aggressively pursued these opportunities. The cable companies capable of offering voice communication are bundling voice, data and video at a discounted price to attract customers from traditional telephone companies. TDS Telecom estimates that 70% of its ILEC access lines face competition from cable providers that at December 31, 2009 can either offer voice services now or in the near future. Also, wireless telephone service providers increasingly constitute a significant source of competition with ILEC services, especially since wireless carriers have begun to compete effectively on the basis of price. As a result, some customers have chosen to completely forego use of traditional wireline telephone service and instead rely solely on wireless service for voice services. This trend is more pronounced among residential customers, which comprise approximately 76% of TDS Telecom's ILEC equivalent access lines as of December 31, 2009. TDS Telecom anticipates this trend will continue, as wireless service providers continue to expand their coverage areas, reduce their rates, improve the quality of their services, and offer enhanced new services. VoIP technology has also improved and has led cable, broadband and other communications companies to substantially increase their offerings of VoIP service to business and residential customers. VoIP providers route calls partially or wholly over the Internet, without use of ILEC's circuit switches and, in the case of cable operators and CLECs, without use of ILEC networks to carry their communications traffic. VoIP providers frequently use existing broadband networks to deliver flat-rate, all-distance calling plans that may also offer features that cannot readily be provided by traditional ILECs. These plans may also be priced below the prices currently charged for traditional ILEC local and long-distance telephone services. To remain competitive TDS Telecom has launched its own VoIP-based services for commercial customers in certain markets.

Incumbent Local Exchange Carrier Regulation

TDS Telecom's ILECs are regulated by federal and state regulatory agencies and TDS Telecom strives to maintain positive relationships with these regulators. Rates, including local rates paid by end user customers and intrastate access charges paid by carriers that exchange traffic with the TDS Telecom ILECs, continue to be subject to state commission approval in many states. Regulators also establish and oversee the implementation of the provisions of federal and state telecommunications laws, including interconnection requirements, universal service obligations, promotion of competition, and the deployment of advanced services. TDS Telecom's ILECs routinely pursue desired changes in rate structures and regulation in an attempt to maintain affordable rates and reasonable earnings. However, due to increased competition, these subsidiaries have had to move from a pricing structure historically based on costs to one primarily based on market conditions.

For the TDS Telecom ILEC companies, state regulators generally must approve rate adjustments, service areas, service standards and accounting methods and these regulators are authorized to limit the return earned on capital, subject to applicable state law. In some states, construction plans, borrowing, depreciation rates, affiliated charge transactions and certain other financial transactions of ILECs are also subject to regulatory oversight and approval. Historically, states designated a single ILEC as the provider of last resort in a local market and then regulated the entry of additional competing providers into the same local market. The Telecommunications Act, however, largely preempted state authority over market entry. Nevertheless, while states may not impose requirements that effectively function as barriers to entry, and the FCC is required to preempt state requirements if they impose such barriers to entry, states retain authority to regulate competitive entry in rural telephone company service areas.

As a general matter, TDS Telecom has elected alternative forms of regulation for its ILEC subsidiaries in several states and will continue to pursue alternative regulation, as appropriate, for its remaining ILEC subsidiaries.

Most of the TDS Telecom ILEC subsidiaries participate in both the National Exchange Carrier Association ("NECA") interstate common line and traffic sensitive access charge tariffs and participate in the access revenue pools administered by the FCC-supervised NECA, which collects and distributes the revenues from interstate access charges. The FCC retains regulatory oversight over interstate toll (long-distance) rates and other issues relating to interstate telephone service and continues to regulate the interstate access system. Where applicable, and subject to state regulatory approval, TDS Telecom's ILEC subsidiaries also utilize intrastate access tariffs and participate in intrastate revenue pools.

TDS Telecom's ILEC subsidiaries also draw from the federal and state universal service funds. Universal service support helps keep services comparably priced to services in more urban markets, as Congress mandated in the Telecommunications Act of 1996. Specifically, the High Cost Program of the federal Universal Service Fund, which is administered by the Universal Service Administrative Company ("USAC"), ensures that consumers have access to and pay rates for telecommunications services that are reasonably comparable to those services provided and rates paid in urban areas. TDS Telecom's subsidiaries draw from these universal service funds since the cost of providing service in many of its rural markets is high, and all of the costs cannot be recovered solely from customers and still provide service at comparable rates.

Over the past decade, the FCC and US Congress have periodically contemplated reforming the existing intercarrier compensation system, but have not issued any decision regarding this matter. While this discussion has continued at the federal level, several state regulatory and legislative entities have contemplated ways to lower intrastate access rates. If the FCC or state entities adopt changes in access charge regulations that reduce the revenues from interstate and/or potentially intrastate access charges, these changes could have a material adverse impact on TDS Telecom. TDS Telecom will attempt to replace lost access revenues through charges to customers or through alternative government support payments. If TDS Telecom is unable to replace lost access charge revenues with increased revenues in other areas, this could have a material adverse effect on its financial condition, results of operations and cash flows.

Over the past several years, the FCC has been reviewing the universal service fund and applicable rules to assess the sustainability of the fund, as well as the process for determining the appropriate contributors, contribution rate, collection method, supported services, and the eligibility and portability of payments. Congress also from time to time has considered reforming universal service. One recent proposal, which remains pending, involves transitioning away from providing support for voice telecommunications networks and instead providing support for the development of broadband networks. TDS Telecom expects that both Congress and the FCC will likely consider these and perhaps similar proposals in 2010. It is not certain which, if any, of these proposals will be adopted. Any changes in the universal service fund that reduce the size of the fund and payments to TDS Telecom could have a material adverse impact on TDS Telecom's financial position, results of operations, and cash flows.

In 2009, Congress enacted legislation designed to stimulate the U.S. economy. Included among the provisions in the legislation was an appropriation of $7.2 billion dollars for the development and deployment of broadband networks to help ensure that all Americans that do not currently have access to broadband service receive such service. TDS Telecom and hundreds of other entities applied for such funding. Although this funding, if received, could enhance TDS Telecom's ability to deploy its broadband services to portions of its service territory it previously did not reach, this funding also may enhance the ability of TDS Telecom's competitors, including providers of wireless broadband service, to develop their broadband networks, which may compete with TDS Telecom's services. This funding could also result in certain additional regulatory obligations for TDS Telecom and other funding recipients, such as the obligation to adhere to certain FCC "net neutrality" principles. TDS Telecom cannot predict what effect this may have on its ability to compete in the provision of broadband service to its customer base. For a discussion of the actual grants awarded, please see Recent Development section of Management's Discussion and Analysis.

Among the provisions in the legislation that Congress enacted in 2008 to stimulate the economy was a requirement that the FCC develop a national broadband plan that seeks to ensure that every American has access to broadband capability. In April 2009, the FCC initiated an inquiry to develop that plan and indicated it intends to deliver that plan to Congress in March 2010. The FCC's plan may or may not impose new requirements on providers of broadband Internet access service such as TDS Telecom, but it likely will provide a roadmap for the various issues that the FCC expects to confront as it goes about the process of developing policies designed to encourage the deployment of broadband to all Americans. The FCC's plan will likely identify many competing goals and impediments to realizing a universal broadband objective and TDS Telecom cannot predict how the FCC will address these issues going forward or how these matters will affect its business.

The FCC and various provisions of federal law require carriers to comply with numerous regulatory requirements. Compliance with these requirements may be costly and noncompliance can lead to lawsuits and financial penalties. These requirements include letting subscribers change to competitors' services without changing their telephone numbers, taking actions to preserve the available pool of telephone numbers, making telecommunications accessible for those with disabilities, monitoring and reporting network outages, and properly handling and protecting customer proprietary network information. Under the Communications Assistance to Law Enforcement Act, all telecommunications carriers, including TDS Telecom, must implement certain equipment changes necessary to assist law enforcement authorities in achieving an enhanced ability to conduct electronic surveillance of those suspected of criminal activity. TDS Telecom believes it is in compliance with these requirements.

In 2009, the FCC initiated a rulemaking proceeding designed to codify its existing "Net Neutrality" principles and impose new requirements that could have the effect of restricting the ability of broadband Internet service providers to manage applications and content that traverse their networks. TDS Telecom cannot predict whether this proceeding will result in new rules, and, if so, the extent to which those new rules will affect TDS Telecom's ability to provide broadband Internet access service on a cost-effective basis. TDS Telecom also cannot predict what effect, if any, this proceeding will have on competition or the growing markets for Internet-based applications and wireless Internet access.

Competitive Local Exchange Carrier Segment

TDS Telecom provides competitive local exchange carrier telecommunications services through its TDS Metrocom subsidiary by leveraging the strengths of its ILECs. TDS Telecom's CLEC operations offer competitively priced voice, broadband and related services primarily to commercial customers and residential customers in selected markets.

TDS Telecom's CLEC operations are primarily facilities-based. The operations depend on using Regional Bell Operating Company ("RBOC") local loops to reach most customers. TDS Telecom's CLEC strategy maintains a geographic focus and is designed to leverage TDS Telecom's existing management and infrastructure to complement its ILEC clustering strategy. TDS Telecom has followed a strategy of controlled entry into certain targeted mid-size communities, regionally proximate to existing TDS Telecom facilities and service areas, with facilities-based entry as a CLEC. Utilizing the infrastructure (e.g., billing systems, network control center, operating systems, financial systems, accounting, technology planning, etc.) built for the ILEC business has allowed the CLEC to operate more efficiently. TDS Telecom's strategy is to be the leading alternative provider for commercial customers' telecommunications needs in its CLEC markets. To this end, it has deployed industry standard Class 5 time-division multiplexing switches as well as new generation softswitches and Internet Protocol technologies in its targeted CLEC markets. TDS Telecom follows a "clustering" approach to building its CLECs which allows it to cost effectively aggregate and transport long-distance traffic, share service and repair resources and realize marketing efficiencies. As in its ILEC markets, TDS Telecom positions itself as an integrated wireline telecommunications provider in its chosen CLEC markets by providing local, long-distance, broadband, and some Internet Protocol-based services through its own facilities-based networks. As of December 31, 2009, TDS Telecom had 355,900 CLEC equivalent access lines, of which 95.5% were provisioned on TDS Telecom owned switching facilities.

Competitive Local Exchange Carrier Market Strategy

The CLEC strategy places primary emphasis on small and medium-sized commercial customers. Medium-sized commercial prospects are characterized by above average access line to employee ratios, heavier utilization of broadband services and a focus on using telecommunications for business improvement. TDS Telecom addresses these business needs for increased communications capabilities at reduced costs by matching new and existing technologies to create greater efficiencies and providing after-the-sale support. This approach is typified by TDS' hosted-managed IP telephony service which provides integrated voice and data services to the customer's desktop. This desktop integration provides clear productivity enhancements along with reduced expense to TDS Telecom CLEC business customers.

An emphasis on product development has led to the introduction of several integrated voice and data solutions as well as the creation of small business bundled products targeting three line and greater business customers that make buying voice and broadband services easier and increase the value of these products. Offering cost effective voice and broadband solutions bundled with and provisioned on a single access line provides for direct cost savings to the customer, removes distance limitations commonly associated with high speed data technology, and gives the customer greater flexibility to grow business telecommunications use.

Additional commercial products, services and applications are under development to sell deeper into new and existing commercial accounts. Expanded offerings for the commercial sector include traditional telephone systems, Internet Protocol enabled telephone systems and new service offerings, such as the hosted managed IP telephony service described above. Combining CLEC service offerings with customer premise equipment ("CPE") products is intended to drive greater customer revenues while promoting a "One Vendor" telecommunications provider experience for CPE, voice and broadband services. Additional Internet Protocol and managed services product sets under development include firewall services, Internet intrusion protection services, and universal resource locater ("URL") filtering. All of these provide commercial customers with additional services, controls and network protection.

TDS Telecom has initiated a strategy of continuing to serve the current residential customer base with high quality customer service and competitive pricing, but not to attract any new residential customers. Therefore, it is expected that the number of residential customers within TDS Telecom's CLEC segment will continue to decline.

TDS Telecom continues to seek to develop and maintain an efficient CLEC cost structure to ensure that it can match price-based initiatives from competitors. Wireless broadband, Internet Protocol telephony, and packet switching networks are all being evaluated or deployed to increase high-speed data reach, to lower the cost of providing service, and to ensure continued network access to customers for service provisioning.

Competitive Local Exchange Carrier Technology

TDS Telecom's CLEC strategies recognize the changing telecommunications marketplace and the need to meet customer demands for greater bandwidth while decreasing dependence on RBOC local loops. TDS Telecom intends to meet competition by providing its customers with high-quality telecommunications services and building its network to take full advantage of advanced telecommunications technologies including:

- Deploying a hosted managed IP voice service to all of its CLEC markets. This service allows customers to integrate their voicemail and e-mail messaging platforms, self provision advanced calling features, and integrate their telephone sets with their personal computers.

- Deploying converged voice and data services that can be dynamically allocated and provisioned using an RBOC local loop and a channel bank at the commercial customer's premise. The advantage of having dynamic allocation is that a single loop can provide greater broadband speeds when the voice lines are not in use.

- Continuing to expand its fiber network into additional commercial customer premises and to upgrade its capacity to existing customers when economically justified.

Competitive Local Exchange Carrier Competition

While TDS Telecom positions itself as a high-quality telecommunications provider, it is experiencing price competition from RBOCs, other competitive local exchange carriers, cable providers, wireless carriers, and VoIP providers as it seeks to gain and retain customers. In addition, the RBOCs are actively seeking regulatory and technological changes that could impede TDS Telecom's access to facilities used to provide CLEC telecommunications services.

TDS Telecom's CLEC operations compete with RBOCs on the basis of price, reliability, state-of-the-art technology, product and service offerings, route diversity, ease of ordering, and customer service, including responsiveness to customer needs. RBOCs have long-standing relationships with their customers and are well established in their respective markets. RBOCs are offering increased pricing flexibility for their services and have implemented long-term customer contracts with high cancellation penalties for retention purposes. RBOCs continue to pursue aggressive "Winback" programs that have been somewhat effective in regaining lines lost to CLECs. TDS Telecom believes that, in general, its CLEC operations provide more attention and responsiveness to customers than RBOCs provide to similar sized customers in TDS Telecom's CLEC markets.

Competitive Local Exchange Carrier Regulation

TDS Telecom's CLEC operations, like its ILEC operations, are regulated by state and federal regulatory agencies, including the FCC. (See "Incumbent Local Exchange Carrier Regulation" above.) However, CLECs are subject to significantly less regulation than ILECs.

The FCC exercises regulatory jurisdiction over all facilities of, and services offered by, communications common carriers to the extent those facilities are used to provide, originate or terminate interstate or international telecommunications. The FCC has established different levels of regulation for "dominant" carriers and "non-dominant" carriers. For domestic interstate telecommunications services, only incumbent local exchange carriers are classified as dominant carriers. All other carriers are classified as non-dominant. The FCC regulates many of the rates, charges and services of dominant carriers to a greater degree than those of non-dominant carriers. As non-dominant carriers, CLECs also are subject to fewer regulatory requirements in connection with their installation and operation of facilities for domestic interstate telecommunications. CLECs are not required to maintain tariffs for domestic interstate long-distance services. However, they are required to submit certain periodic reports to the FCC and to pay regulatory fees.

CLECs are also subject to state regulation. Certain states require CLECs to obtain operating authority prior to initiating intrastate services. Certain states also require the filing of tariffs or price lists and/or customer-specific contracts. TDS Telecom's CLEC operations are not currently subject to rate-of-return or price regulation. However, CLECs are subject to state-specific quality of service, universal service, periodic reporting and other regulatory requirements, although the extent of these requirements generally is less than those applicable to ILECs. In addition, local governments may require CLECs to obtain licenses or franchises which regulate the use of public rights-of-way necessary to install and operate their networks.

The Telecommunications Act requires ILECs to provide requesting carriers such as TDS Telecom's CLEC with nondiscriminatory access to unbundled network elements ("UNEs") at cost-based rates. UNEs are components of ILEC networks that CLECs lease, and in some cases, combine with their own network facilities to provide services to end user customers. Subsequent rulings have modified the circumstances under which ILECs must make UNEs available to CLECs at cost-based rates, e.g., the extent to which ILECs must unbundle and make available fiber optic lines and broadband hybrid loops. This has had the practical effect of increasing CLEC costs to deliver certain high-capacity services to customers because CLECs no longer can rely on ILECs to lease them fiber lines and broadband hybrid loops at cost-based rates. As a result, TDS Telecom's CLEC today either must construct its own fiber optic lines and hybrid loops, pay a higher rate to lease these facilities from ILECs, or seek other alternative providers where available.

TDS — Other Items

Employees

TDS had approximately 12,400 employees as of December 31, 2009, less than 1% of whom were represented by a labor organization. TDS considers its relationship with its employees to be good.

Item 1A. Risk Factors

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995
SAFE HARBOR CAUTIONARY STATEMENT

This Annual Report on Form 10-K, including exhibits, contains statements that are not based on historical facts and represent forward-looking statements, as this term is defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, that address activities, events or developments that TDS intends, expects, projects, believes, estimates, plans or anticipates will or may occur in the future are forward-looking statements. The words "believes," "anticipates," "estimates," "expects," "plans," "intends," "projects" and similar expressions are intended to identify these forward-looking statements, but are not the exclusive means of identifying them. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include those set forth below under "Risk Factors" in this Form 10-K. However, such factors are not necessarily all of the important factors that could cause actual results, performance or achievements to differ materially from those expressed in, or implied by, the forward-looking statements contained in this document. Other unknown or unpredictable factors also could have material adverse effects on future results, performance or achievements. TDS undertakes no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise. You should carefully consider the following risk factors and other information contained in, or incorporated by reference into, this Form 10-K to understand the material risks relating to TDS' business.

RISK FACTORS

Intense competition in the markets in which TDS operates could adversely affect TDS' revenues or increase its costs to compete.

Competition in the telecommunications industry is currently intense and could intensify further in the future due to the general effects of a weak economy, as well as due to wireless industry factors such as increasing market penetration and decreasing customer churn rates. TDS' ability to compete effectively will depend, in part, on its ability to anticipate and respond to various competitive factors affecting the telecommunications industry. TDS anticipates that competition may cause the prices for products and services to continue to decline, and the costs to compete to increase, in the future. Most of TDS' competitors are national or global telecommunications companies that are larger than TDS, possess greater resources, possess more extensive coverage areas and more spectrum within their coverage areas, and market other services with their communications services that TDS does not offer. Larger competitors could potentially engage in predatory practices that could have an adverse effect on TDS. In addition, TDS may face competition from technologies that may be introduced in the future or from new entrants into the industry. New technologies, services and products that are more commercially effective than the technologies, services and products offered by TDS may be developed. There can be no assurance that TDS will be able to compete successfully in this environment.

Sources of competition to TDS' wireless business typically include three to five competing wireless telecommunications service providers in each market, wireline telecommunications service providers, cable television companies, resellers (including mobile virtual network operators), and providers of other alternate telecommunications services. Many of TDS' wireless competitors and other competitors have substantially greater financial, technical, marketing, sales, purchasing and distribution resources than TDS.

Sources of competition to TDS' wireline ILEC business include, but are not limited to, resellers of local exchange services, interexchange carriers, satellite transmission service providers, wireless communications providers, cable television companies, competitive access service providers, competitive local exchange carriers, Voice over Internet Protocol (VoIP) providers and providers using other emerging technologies. In the future, TDS expects the number of its wireline physical access lines served to continue to be adversely affected by wireless and broadband substitution and by cable company competition.

Sources of competition to TDS' wireline CLEC business include the sources identified in the prior paragraph as well as the ILEC in each market, which enjoys competitive advantages, including its wireline connection to virtually all of the customers and potential customers of TDS' CLEC, its established brand name and its substantial financial resources. TDS' CLEC is typically required to discount services to win potential customers. These factors result in lower operating margins for TDS' CLEC, and make it vulnerable to any discount pricing policies that the ILEC may adopt to exploit its lower-cost structure and greater financial resources.

If TDS does not adapt to effectively compete in such a highly competitive environment, such competitive factors could result in product, service, pricing or cost disadvantages and could have an adverse effect on TDS' business, financial condition or results of operations.

A failure by TDS to successfully execute its business strategy or allocate resources or capital could have an adverse effect on TDS' business, financial condition or results of operations.

U.S. Cellular is a regional wireless carrier that operates on a customer satisfaction strategy, seeking to meet customer needs by providing a comprehensive range of wireless products and services, excellent customer support, and a high-quality network. U.S. Cellular seeks to operate controlling interests in wireless licenses in areas adjacent to or in proximity to its other wireless licenses, thereby building contiguous operating market areas. U.S. Cellular relies on roaming agreements with other carriers to provide roaming capability to its customers in areas of the U.S. outside its service areas and to improve coverage within selected areas of U.S. Cellular's network footprint. U.S. Cellular pursues a product and technology strategy which requires it to follow and recognize product and technology advances and quickly adopt and execute rollouts of such advances. In addition, in pursuit of its business strategy, in 2009, U.S. Cellular began efforts on a number of multi-year initiatives including the development of: a new billing and operational support system (BSS/OSS) which will include a new point-of-sale system and which will consolidate billing on one platform; an Electronic Data Warehouse/Customer Relationship Management System to collect and analyze information more efficiently to build and improve customer relationships; and a new Internet/Web platform to enable customers to complete a wide range of transactions and, eventually, to manage their accounts online.

TDS Telecom's strategy is to be the preferred provider of telecommunications services—including voice, broadband, and video services—in its chosen markets. TDS Telecom has initiated an aggressive program of service bundling and deep discounting and made the decision to voluntarily exit certain revenue pools administered by the FCC-supervised National Exchange Carrier Association in order to achieve additional pricing flexibility to meet competitive pressures and to increase customer loyalty through reducing churn. Service bundling is dependent on various factors, including the ability of TDS Telecom to continue to be able to partner with a provider of satellite television. TDS Telecom is continuing to focus on cost-reduction initiatives through product cost improvement and process efficiencies and also plans to continue to focus on customer retention programs, including "triple-play" bundles involving voice, DSL and satellite TV.

The successful execution of strategies, the optimal allocation within TDS' portfolio of assets and optimal capital allocation decisions depend on various internal and external factors, many of which are not in TDS' control. TDS' ability to implement and execute its business strategies and optimally allocate its assets and capital and, as a result, achieve desired financial results, could be affected by such factors. Such factors include pricing practices by competitors, relative scale, purchasing power, roaming and other strategic agreements, wireless handset availability, timing of introduction of handsets and other factors. In addition, there is no assurance that U.S. Cellular's multi-year initiatives or TDS Telecom's cost-reduction or customer-retention programs will be successful. Even if TDS executes its business strategies as intended, such strategies may not be successful in the long term to profitably sustain growth in revenues or otherwise. A failure by TDS to execute its business strategy successfully or to allocate resources or capital optimally could have an adverse effect on TDS' wireless and wireline businesses, financial condition or results of operations.

A failure by TDS' service offerings to meet customer expectations could limit TDS' ability to attract and retain customers and could have an adverse effect on TDS' operations.

Customer acceptance of the services that TDS offers is and will continue to be affected by technology and range of device and service-based differences from competition and by the operational performance, quality, reliability, and coverage of TDS' networks. TDS may have difficulty attracting and retaining customers if it is unable to meet customer expectations for a range of services, such as handset selection by U.S. Cellular and easy access to a broad variety of applications, or if it is otherwise unable to resolve quality issues relating to its networks, billing systems, or customer care or if any of those issues limit TDS' ability to expand its network capacity or customer base, or otherwise place TDS at a competitive disadvantage to other service providers in its markets. The levels of customer demand for any TDS next-generation services and products are uncertain. Customer demand could be impacted by differences in the types of services offered, service content, technology, footprint and service areas, network quality, customer perceptions, customer care levels and rate plans.

TDS' system infrastructure may not be capable of supporting changes in technologies and services expected by customers, which could result in lost customers and revenues.

The telecommunications industry is experiencing significant changes in technologies and services expected by customers. Future technological changes or advancements may enable other technologies to equal or exceed TDS' current levels of service and render its system infrastructure obsolete. New technologies or services often render existing technology products, services or infrastructure obsolete, too costly or otherwise unmarketable. TDS' system infrastructure may not be capable of supporting changes in technologies and services expected by customers. TDS may be unable to successfully deploy complex next generation services. If TDS is unable to meet future advances in or changes in competing technologies on a timely basis, or at an acceptable cost, it may not be able to compete effectively with other carriers, which could result in lost customers and revenues. This could have an adverse effect on TDS' business, financial condition or results of operations.

An inability to obtain or maintain roaming arrangements with other carriers on terms that are acceptable to TDS could have an adverse effect on TDS' business, financial condition or results of operations.

TDS' customers can access another carrier's digital system automatically only if the other carrier allows TDS' customers to roam on its network. TDS relies on roaming agreements with other carriers to provide roaming capability to its customers in areas of the U.S., Mexico and Canada outside of its service areas and to improve coverage within selected areas of TDS' network footprint. Such agreements cover traditional voice services as well as data services, which are an area of strong growth for TDS and other carriers. Although TDS currently has long-term roaming agreements with certain other carriers, these agreements generally are subject to renewal and termination if certain events occur, including, without limitation, if network standards are not maintained. FCC rules require wireless carriers to offer roaming arrangements to other carriers on reasonable terms and conditions and the FCC is considering applying this requirement to markets in which the carrier seeking to roam already holds an FCC license. However, carriers frequently disagree on what constitutes reasonable terms and conditions. The FCC has not taken an active role in explaining or enforcing these requirements, nor has it adopted rules requiring that carriers offer data roaming as well as voice roaming.

Some competitors may be able to obtain lower roaming rates than TDS is able to obtain because they have larger call volumes or because of their affiliations with, or ownership of, wireless carriers, or may be able to reduce roaming charges by providing service principally over their own networks. In addition, the quality of service that a wireless carrier delivers during a roaming call may be inferior to the quality of service TDS provides, the price of a roaming call may not be competitive with prices of other wireless carriers for such call, and TDS' customers may not be able to use some of the advanced features, such as voicemail notification or data applications, that TDS customers enjoy when making calls within TDS' network. TDS' rate of adoption of new technologies, such as those enabling high-speed data services, could affect its ability to enter into or maintain roaming agreements with other carriers. In addition, TDS' wireless "CDMA", "CDMA 1XRTT" and "3G" technology is not compatible with technologies such as GSM-based technologies which are used by certain other carriers, which limits the ability of TDS to enter into roaming agreements with such other carriers. TDS' roaming partners could switch their business to new operators or, over time, to their own networks. Changes in roaming usage patterns, rates for roaming minutes or data use or relationships with carriers whose customers generate roaming minutes or data use on TDS' network could have an adverse effect on TDS' revenues and revenue growth.

If TDS is unable to obtain or maintain roaming agreements with other wireless carriers that contain pricing and other terms that are competitive and acceptable to TDS, and that satisfy TDS' quality and interoperability requirements, its business, financial condition or results of operations could be adversely affected.

TDS currently receives a significant amount of roaming revenues from its wireless business. As a result of acquisitions by other companies in the wireless industry, TDS roaming revenues have declined significantly from amounts earned in certain prior years. Further industry consolidation and continued build outs by existing and new wireless carriers could cause roaming revenues to decline even more, which would have an adverse effect on TDS' business, financial condition and results of operations.

TDS' revenues include roaming revenues related to the use of TDS' network by other carriers' customers who travel within TDS' coverage areas. A significant portion of these roaming revenues is derived from Verizon Wireless ("Verizon") and formerly Alltel Corporation ("Alltel"). In January 2009, Verizon acquired Alltel. As a result of this transaction, the network footprints of Verizon and Alltel have been and will continue to be combined. This has resulted in a decrease in inbound roaming revenues for TDS, since the combined Verizon and Alltel entity has reduced its usage of TDS' network in certain coverage areas that were used by Verizon and Alltel (as separate entities). Additional changes in the network footprints of other carriers due to additional consolidation or network expansions also could have an adverse effect on TDS' roaming revenues. For example, consolidation among other carriers which have network footprints that currently overlap TDS' network could further decrease the amount of roaming revenues for TDS. Accordingly, further industry consolidation could cause roaming revenues to decline even more, which would have an adverse effect on TDS' business, financial condition and results of operations.

A failure by TDS to obtain access to adequate radio spectrum to meet current or anticipated future needs and/or to accurately predict future needs for radio spectrum could have an adverse effect on TDS' business and operations.

TDS' wireless business depends on the ability to use portions of the radio spectrum licensed by the FCC. TDS could fail to obtain access to sufficient spectrum capacity in new or existing critical markets, whether through FCC auctions or other transactions, in order to meet the anticipated spectrum requirements associated with expected growth in customers and increased demand for existing services, and to enable deployment of next-generation services. In addition, TDS could fail to accurately forecast its future spectrum requirements considering changes in customer usage patterns, technology requirements and the expanded demands of new services. Such a failure could have a material adverse impact on the quality of TDS' services or TDS' ability to roll out such future services in some markets, or could require that TDS curtail existing services in order to make spectrum available for next-generation services. Spectrum constrained providers could be effectively capped in increasing market share. As they gain customers, they use up their network capacity. Since they lack spectrum, they can respond to demand only by adding cell sites, which is capital intensive, limited by zoning considerations, and ultimately may not be cost effective. If they become less cost-competitive, they may become unprofitable or be required to raise prices and lose customers, which would be an unsustainable position. TDS may acquire access to spectrum through a number of alternatives, including participation in spectrum auctions, partnering on a non-controlling basis with other auction applicants ("Other Applicants") and other acquisitions and exchanges. As required by law, the FCC has conducted auctions for licenses to use some parts of the radio spectrum. The decision to conduct auctions, and the determination of what spectrum frequencies will be made available for auction are made by the FCC pursuant to laws that they administer. The FCC may not be able to allocate spectrum sufficient to meet the demands of all those wishing to obtain licenses for new market entry or to expand their spectrum holdings to meet the expanding demand for data services or to address other spectrum constraints. TDS or Other Applicants may not be successful in FCC auctions in obtaining the spectrum that either believes is necessary to implement its business and technology strategies. In addition, newly auctioned spectrum may not be compatible with existing spectrum, and vendors may not create suitable products to use such spectrum. Further, access to use spectrum won in FCC auctions may not be available on a timely basis. Such access is dependent upon the FCC actually granting licenses won in the various auctions, which can be delayed for various reasons, including the possible need for the FCC to transition current users of spectrum to other portions of the radio spectrum. TDS also may seek to acquire radio spectrum through purchases and exchanges with other spectrum licensees. However, TDS may not be able to acquire sufficient spectrum through these types of transactions, and TDS may not be able to complete any of these transactions on favorable terms.

To the extent conducted by the FCC, TDS is likely to participate in FCC auctions of additional spectrum in the future as an applicant or as a non-controlling partner in another auction applicant and, during certain periods, will be subject to the FCC's anti-collusion rules, which could have an adverse effect on TDS.

From time to time, the FCC conducts auctions through which additional spectrum is made available for the provision of wireless services. TDS has participated in such auctions in the past and is likely to participate in other auctions conducted by the FCC in the future as an applicant or as a non-controlling partner in another auction applicant. FCC anti-collusion rules place certain restrictions on business communications and disclosures by participants in an FCC auction. These anti-collusion rules may restrict the normal conduct of TDS' business and/or disclosures by TDS relating to an FCC auction, which could last three to six months or more. The restrictions could have an adverse effect on TDS' business, financial condition or results of operations.

Changes in the regulatory environment or a failure by TDS to timely or fully comply with any applicable regulatory requirements could adversely affect TDS' financial condition, results of operations or ability to do business.

TDS' operations are subject to varying degrees of regulation by the FCC, state public utility commissions and other federal, state and local regulatory agencies and legislative bodies. Adverse decisions or increased regulation by these regulatory bodies could negatively impact TDS' operations by, among other things, increasing TDS' costs of doing business, permitting greater competition or limiting TDS' ability to engage in certain sales or marketing activities.

TDS' wireless business requires licenses granted by the FCC to provide wireless telecommunications services. Typically, such licenses are issued for initial ten-year terms and may be renewed for additional ten-year terms, subject to FCC approval of the renewal applications. Failure to comply with FCC requirements in a given service area could result in the revocation of TDS' license for that area or in the imposition of fines. Court decisions and rulemakings could have a substantial impact on TDS' wireless operations, including rulemakings on intercarrier access compensation and universal service. Litigation and different objectives among federal and state regulators could create uncertainty and delay TDS' ability to respond to new regulations. TDS is unable to predict the future actions of the various regulatory bodies that govern TDS, but such actions could have material adverse effects on TDS' wireless business.

TDS' wireline operations are subject to varying degrees of regulation by the FCC, state public utility commissions and other federal, state and local regulatory agencies and legislative bodies. Adverse decisions or increased regulation by these regulatory bodies could negatively impact TDS' operations by, among other things, increasing TDS' costs of doing business, permitting greater competition or limiting TDS' ability to engage in certain sales or marketing activities. TDS is unable to predict the future actions of the various regulatory bodies that govern TDS, but such actions could have material adverse effects on TDS' wireline business.

TDS' ILECs have been granted permission to operate by each of the states in which they operate. TDS is subject to regulation from the regulatory commissions in each of these states as well as from the FCC. State regulatory commissions have primary jurisdiction over local and intrastate rates that TDS charges customers, including, without limitation, other telecommunications companies, and service quality standards. The FCC has primary jurisdiction over the interstate access rates that TDS charges other telecommunications companies that use TDS' network and other issues related to interstate service. TDS receives a substantial amount of its ILEC revenues from interexchange carriers for providing access to its network and from compensation from the Universal Service Fund and other support funds. The FCC is re-examining all currently regulated forms of access charges and the prospect for continued access charges is uncertain. Furthermore, the FCC is reviewing the Universal Service Fund and applicable rules to assess the sustainability of the fund and is examining the process for determining the appropriate contributors, contribution rate, collection method, supported services, and the eligibility for and portability of payments. Changes in access charges and the Universal Service Fund that reduce the size of the fund and/or payments to TDS could have a material adverse impact on these sources of revenues. Future revenues, costs, and capital investment in TDS' wireline business could be adversely affected by material changes to these regulations including but not limited to changes in intercarrier compensation, state and federal universal service support, loop ("UNE-L") pricing and requirements, and VoIP regulation.

Although TDS' CLECs are not subject to regulatory review in the same way as the ILECs, the viability of their business model depends on FCC and state regulations. Court decisions and regulatory developments relating to UNE-L and access and transport options could negatively affect the CLEC's ability to obtain access to certain local networks or to provide broadband services to end users and/or could increase the CLEC's cost of providing some services. As a result of certain court decisions and regulatory developments, TDS has phased-out most of its CLEC operations that relied on an unbundled network element-platform provided by incumbent carriers. Moreover, the further loss of some access and transport options as a result of future developments would be unfavorable for TDS' CLEC operations and could negatively affect their ability to provide broadband services to end users.

Among the provisions in the legislation that Congress enacted in 2008 to stimulate the economy was a requirement that the FCC develop a national broadband plan that seeks to ensure that every American has access to broadband capability. In April 2009, the FCC initiated an inquiry to develop that plan and has since indicated it intends to deliver that plan to Congress in March 2010. TDS cannot predict how the FCC will address these issues going forward or how these matters will affect its business.

In 2009, the FCC initiated a rulemaking proceeding designed to codify its existing "Net Neutrality" principles and impose new requirements that could have the effect of restricting the ability of broadband or wireless Internet service providers to manage applications and content that traverse their networks. TDS cannot predict whether this proceeding will result in new rules, and, if so, the extent to which those new rules will affect its ability to provide broadband or wireless Internet access service on a cost-effective basis. TDS also cannot predict what effect, if any, this proceeding will have on its competitors or the growing markets for Internet-based applications and broadband or wireless Internet access.

In addition, new or amended regulatory requirements could increase TDS' costs and divert resources from other initiatives.

TDS attempts to timely and fully comply with all regulatory requirements. However, in certain circumstances, TDS may not be able to timely or fully comply with all regulatory requirements due to various factors, including changes to regulatory requirements, limitations in or availability of technology, insufficient time provided for compliance, problems encountered in attempting to comply or other factors. Any failure by TDS to timely or fully comply with any regulatory requirements could adversely affect TDS' financial condition, results of operations or ability to do business.

Changes in USF funding and/or intercarrier compensation could have a material adverse impact on TDS' financial position or results of operations.

On April 29, 2008, the FCC adopted an interim "cap" on the universal service fund ("USF") high-cost funding that goes to competitive ETCs, limiting such funding in a particular state to the levels provided to all such carriers in that state in March 2008, with an exemption from the cap for carriers serving tribal lands and Alaskan Native Lands. The FCC order imposing the cap was published on July 1, 2008 and became effective on August 1, 2008.

The FCC is considering significant changes in the USF as well as in intercarrier compensation. These proposals include: the creation of separate wireless, wireline, and broadband funds, with an overall "cap" on all funds, including the wireline and wireless funds; a separate cap on payments to wireless carriers; elimination of the "identical support" rules, thereby requiring wireless carriers to receive support based on their own costs rather than wireline "per line" costs; using "reverse auctions" (a form of competitive bidding) to determine the amount of support to be provided to eligible telecommunications carriers, and limiting the number of carriers eligible to receive support to a given area. Adoption by the FCC of any form of "cap," or limits on the number of carriers eligible to receive support for a given area or of proposals related to identical support or reverse auctions would likely reduce the amount of support that wireless carriers would be otherwise eligible to receive. In addition, a congressional committee is investigating the USF high-cost program, which could potentially result in action by Congress. It is not certain what action, if any, may be taken by the FCC or Congress.

TDS is not able to predict what, if any, changes ultimately will be adopted by the FCC or any other action that may be taken as a result of the foregoing proposals. Such changes could have a material adverse impact on TDS' financial condition and results of operations.

An inability to attract and/or retain management, technical, sales and other personnel could have an adverse effect on TDS' business, financial condition or results of operations.

Due to competition for qualified management, technical, sales and other personnel and TDS' relative size in comparison to much larger competitors, there can be no assurance that TDS will be able to continue to attract and/or retain qualified personnel necessary for the development of its business. The loss of the services of existing personnel as well as the failure to recruit additional qualified personnel in a timely manner could have an adverse effect on TDS' business, financial condition or results of operations.

TDS' assets are concentrated in the U.S. telecommunications industry. As a result, its results of operations may fluctuate based on factors related entirely to conditions in this industry.

TDS' assets are concentrated in the U.S. telecommunications industry and, in particular, in the Midwestern portion of the United States. The U.S. telecommunications industry is facing significant change and an uncertain operating environment. TDS has not diversified its revenue streams outside of its two principal business units, wireless and wireline telecommunications. TDS' focus on the U.S. telecommunications industry, with concentrations of assets and operations in the Midwest, together with its positioning relative to larger competitors with greater resources within the industry, may represent increased risk for investors due to the lack of diversification. This could have an adverse effect on TDS' ability to profitably sustain long-term revenue growth and could have an adverse effect on its business, financial condition or results of operations.

The completion of acquisitions by other companies has led to increased consolidation in the wireless telecommunications industry. TDS' lower scale relative to larger wireless carriers has in the past and could in the future prevent or delay its access to new products including handsets, new technology and/or new content and applications which could adversely affect TDS' ability to attract and retain customers and, as a result, could adversely affect its business, financial condition or results of operations.

There has been a trend in the telecommunications and related industries in recent years towards consolidation of service providers through acquisitions, reorganizations and joint ventures. TDS expects this trend towards consolidation to continue, leading to larger competitors over time. TDS has lower-scale efficiencies compared to larger competitors. TDS may be unable to compete successfully with larger companies that have substantially greater financial, technical, marketing, sales, purchasing and distribution resources or that offer more services than TDS, which could adversely affect TDS' revenues and costs of doing business.

TDS' businesses increasingly depend on access to content for data, music or video services and access to new handsets and other devices being developed by vendors. TDS' ability to obtain such access depends in part on other parties. For example, filings in proceedings before the FCC have alleged that larger companies have entered into exclusive arrangements with handset manufacturers which have the potential to restrict the market availability of particular handsets. If TDS is unable to obtain timely access to content for data, music or video services or timely access to new handsets being developed by vendors, its business, financial condition or results of operations could be adversely affected.

Inability to manage its supply chain or inventory successfully could have an adverse effect on TDS' business, financial condition or results of operations.

Operation of TDS' supply chain and management of its inventory balances require accurate forecasting of customer growth and demand, which has become increasingly challenging. If overall demand for handsets or the mix of demand for handsets is significantly different than TDS' expectations, TDS could face inadequate or excess supplies of particular models of handsets. This could result in lost sales opportunities or a buildup of inventory that could not be sold easily. Either of these situations could adversely affect TDS' revenues, costs of doing business, results of operations or financial condition.

Changes in general economic and business conditions, both nationally and in the markets in which TDS operates, could have an adverse effect on TDS' business, financial condition or results of operations.

TDS' operating results may be subject to factors which are outside of TDS' control, including changes in general economic and business conditions, both nationally and in the markets in which TDS operates. Such factors could have a material adverse effect on TDS' business, financial condition or results of operations.

Changes in various business factors could have an adverse effect on TDS' business, financial condition or results of operations.

Changes in any of several factors could have an adverse effect on TDS' business, financial condition or results of operations. These factors include, but are not limited to:

- Demand;
- Pricing;
- Growth;
- Average revenue per unit;
- Penetration;
- Churn;
- Expenses;
- Customer acquisition and retention costs;
- Customers' ability to honor existing service contracts and the potential impact on bad debts expense;
- Roaming rates;
- Voice minutes and data use; and
- Mix and costs of products and services.

Advances or changes in telecommunications technology, such as Voice over Internet Protocol ("VoIP"), High-Speed Packet Access, WiMAX or Long-Term Evolution ("LTE"), could render certain technologies used by TDS obsolete, could reduce TDS' revenues or could increase its costs of doing business.

The telecommunications industry is experiencing significant technological change, as evidenced by evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new services and products and enhancements and changes in end-user requirements and preferences. Technological advances and industry changes, such as wideband technologies such as "Wi-Fi" and "WiMAX" which do not necessarily rely on FCC-licensed spectrum, the development of fourth-generation technology ("4G") such as LTE, or the evolution of High-Speed Packet Access could cause the technology used on TDS' wireless networks to become less competitive or obsolete. In addition, Voice over Internet Protocol, also known as VoIP, is an emerging technological trend that could cause a decrease in demand for TDS' telephone services. TDS may not be able to respond to such changes and implement new technology on a timely or cost-effective basis, which could reduce its revenues or increase its costs of doing business. If TDS cannot keep pace with these technological changes or other changes in the telecommunications industry over time, its financial condition, results of operations or ability to do business could be adversely affected.

TDS could incur higher than anticipated intercarrier compensation costs.

When customers use TDS' service to call customers of other carriers, in certain circumstances TDS is required to pay the carrier that serves the called party, and any intermediary or transit carrier, for the use of their networks. For transport of calls between its cell sites and mobile telephone switching offices, TDS must often depend on facilities supplied by local telephone companies. The rates for such services are unregulated and sometimes excessive. If such "backhaul" rates remain as they are, they could have an adverse effect on TDS' business as demand for such services increases in a broadband environment. An ongoing FCC rulemaking proceeding is examining whether a unified intercarrier compensation regime should be established for all traffic exchanged between all carriers. New intercarrier compensation rules, if adopted, may result in increases in the charges TDS is required to pay other carriers for terminating calls on their networks, increase the costs of or difficulty in negotiating new agreements with carriers, and decrease the amount of revenue it receives for originating or terminating calls from other carriers on TDS' network. Any such changes may have a materially adverse effect on TDS' business, financial condition and operating results.

TDS is subject to numerous surcharges and fees from federal, state and local governments, and the applicability and the amount of these fees are subject to great uncertainty.

Telecommunications providers pay a variety of surcharges and fees on their gross revenues from interstate and intrastate services, including federal Universal Service Fund, or USF, fees and common carrier regulatory fees. The division of services between interstate services and intrastate services, including the divisions associated with the federal USF fees, is a matter of interpretation and may in the future be contested by the FCC or state authorities. The FCC also may change in the future the basis on which federal USF fees are charged. The Federal government and many states also apply transaction-based taxes to sales of TDS products and services and to purchases of telecommunications services from various carriers. In addition, state regulators and local governments have imposed and may continue to impose various surcharges, taxes and fees on TDS services. The applicability of these surcharges and fees to its services is uncertain in many cases and jurisdictions may contest whether TDS has assessed and remitted those monies correctly. Periodically state and federal regulators may increase or change the surcharges and fees TDS currently pays. In some instances TDS passes through these charges to its customers. However, Congress, the FCC, state regulatory agencies or state legislatures may limit the ability to pass through to customers transaction-based tax liabilities, regulatory surcharges and regulatory fees imposed on TDS. TDS may or may not be able to recover some or all of those taxes from its customers and the amount of taxes may deter demand for its services or increase its cost to provide service which could have a material adverse effect on its business, financial condition or operating results.

Changes in TDS' enterprise value, changes in the market supply or demand for wireless licenses or wireline markets, adverse developments in the business or the industry in which TDS is involved and/or other factors could require TDS to recognize impairments in the carrying value of its license costs, goodwill and/or physical assets.

A large portion of TDS' assets consists of intangible assets in the form of licenses and goodwill. TDS also has substantial investments in long-lived assets such as property, plant and equipment. TDS reviews its licenses, goodwill and other long-lived assets for impairment annually or whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. An impairment loss may need to be recognized to the extent the carrying value of the assets exceeds the fair value of such assets. The amount of any such impairment loss could be significant and could have a material adverse effect on TDS' reported financial results for the period in which the loss is recognized. The estimation of fair values requires assumptions by management about factors that are uncertain including future cash flows, the appropriate discount rate and other factors. Different assumptions for these factors could create materially different results.

Costs, integration problems or other factors associated with acquisitions/divestitures of properties or licenses and/or expansion of TDS' business could have an adverse effect on TDS' business, financial condition or results of operations.

As part of TDS' operating strategy, TDS may expand the markets in which it operates through the acquisition of other telecommunications service providers, the acquisition of selected licenses or operating markets from such providers or through direct investment. The acquisition of additional businesses will depend on TDS' ability to identify suitable acquisition candidates, to negotiate acceptable terms for their acquisition and to finance any such acquisitions. TDS also will be subject to competition for suitable acquisition candidates. Any acquisitions, if made, could divert the resources and management time of TDS and would require integration with TDS' existing business operations and services. As a result, there can be no assurance that any such acquisitions will occur or that any such acquisitions, if made, would be made in a timely manner or on terms favorable to TDS or would be successfully integrated into TDS' operations. These transactions commonly involve a number of risks, including:

- Ability to enter markets in which TDS has limited or no direct prior experience and competitors have stronger positions;
- Uncertain revenues and expenses, with the result that TDS may not realize the growth in revenues, anticipated cost structure, profitability, or return on investment that it expects;
- Difficulty of integrating the technologies, services, products, operations and personnel of the acquired businesses;
- Diversion of management's attention;
- Disruption of ongoing business;
- Impact on TDS' cash and available credit lines for use in financing future growth and working capital needs;

- Inability to retain key personnel;
- Inability to successfully incorporate acquired assets and rights into TDS' service offerings;
- Inability to maintain uniform standards, controls, procedures and policies;
- Possible conditions to approval by the FCC, the Federal Trade Commission and/or the Department of Justice; and
- Impairment of relationships with employees, customers or vendors.

Failure to overcome these risks or any other problems encountered in these transactions could have a material adverse effect on TDS' business, financial condition or results of operations.

If TDS expands into new telecommunications businesses or markets, it may incur significant expenditures, a substantial portion of which must be made before any revenues will be realized. Such expenditures may increase as a result of the accelerated pace of regulatory and technological changes. Such expenditures, together with the associated high initial costs of providing service in new markets, may result in reduced cash flow until an adequate revenue base is established. There can be no assurance that an adequate revenue base will be established in any new technology or market which TDS pursues.

If TDS expands into new telecommunications businesses or markets, it will incur certain additional risks in connection with such expansion, including increased legal and regulatory risks, and possible adverse reaction by some of its current customers. Such telecommunications businesses and markets are highly competitive and, as a new entrant, TDS may be disadvantaged. The success of TDS' entry into new telecommunications businesses or markets will be dependent upon, among other things, TDS' ability to select new equipment and software and to integrate the new equipment and software into its operations, to hire and train qualified personnel and to enhance its existing administrative, financial and information systems to accommodate the new businesses or markets. No assurance can be given that TDS will be successful with respect to these efforts.

If TDS is not successful with respect to its expansion initiatives, its business, financial condition or results of operations could be adversely affected.

A significant portion of TDS' wireless revenues is derived from customers who buy services through independent agents who market TDS' services on a commission basis. If TDS' relationships with these agents are seriously harmed, its wireless revenues could be adversely affected.

TDS has relationships with agents to obtain customers. Agents are independent business people who obtain customers for TDS on a commission basis. TDS' agents are generally in the business of selling wireless telephones, wireless service packages and other related products. Also, TDS' agents include major appliance dealers and car stereo companies.

TDS' business and growth depends, in part, on the maintenance of satisfactory relationships with its agents. As a result of recent economic conditions, many companies, including certain TDS agents, are having financial difficulties. If such relationships are seriously harmed or if such parties experience further financial difficulties, including bankruptcy, TDS' revenues and, as a result, its financial condition or results of operations, could be adversely affected.

TDS' investments in technologies which are unproven may not produce the benefits that TDS expects.

TDS is making investments in various new technologies and service and product offerings. These investments include technologies for enhanced data services offerings. TDS expects new services, products and solutions based on these new technologies to contribute to future growth in its revenues. However, the markets for some of these services, products and solutions are still emerging and the overall potential for these markets remains uncertain. If customer demand for these new services, products and solutions does not develop as expected, TDS' financial condition or results of operations could be adversely affected.

A failure by TDS to complete significant network construction and systems implementation activities as part of its plans to improve the quality, coverage, capabilities and capacity of its network and support systems could have an adverse effect on its operations.

TDS' business plan includes significant construction activities and enhancements to its network. As TDS deploys, expands, and enhances its network, it may need to acquire additional spectrum. Also, as TDS continues to build out and enhance its network, TDS must, among other things, continue to:

- Lease, acquire or otherwise obtain rights to cell and switch sites;
- Obtain zoning variances or other local governmental or third-party approvals or permits for network construction;
- Complete and update the radio frequency design, including cell site design, frequency planning and network optimization, for each of TDS' markets; and
- Improve, expand and maintain customer care, network management, billing and other financial and management systems.

Any difficulties encountered in completing these activities, as well as problems in vendor equipment availability, technical resources, system performance or system adequacy, could delay expansion of operations and product capabilities in new or existing markets or result in increased costs in all markets. Failure to successfully build out and enhance TDS' network and necessary support facilities and systems in a cost-effective manner, and in a manner that satisfies customer expectations for quality and coverage, could have an adverse effect on TDS' business, business prospects, financial condition or results of operations.

Financial difficulties (including bankruptcy proceedings) of TDS' key suppliers or vendors, termination or impairment of TDS' relationships with such suppliers or vendors, or a failure by TDS to manage its supply chain effectively could result in delays or termination of TDS' receipt of required equipment or services, or could result in excess quantities of required equipment or services, any of which could adversely affect TDS' business, financial condition or results of operations.

TDS depends upon certain vendors to provide it with equipment, services or content to continue its network construction and upgrade and to operate its business. TDS does not have operational or financial control over such key suppliers and has limited influence with respect to the manner in which these key suppliers conduct their businesses. If these key suppliers experience financial difficulties or file for bankruptcy, they may be unable to provide equipment, services or content to TDS on a timely basis or cease to provide such equipment, services or content or otherwise fail to honor their obligations to TDS. In such case, TDS may be unable to maintain and upgrade its network or provide services to its customers in a competitive manner, or could suffer other disruptions to its business. In that event, TDS' business, financial condition or results of operations could be adversely affected.

TDS has significant investments in entities that it does not control. Losses in the value of such investments could have an adverse effect on TDS' financial condition or results of operations.

TDS has significant investments in entities that it does not control, including a 5.5% ownership interest in the Los Angeles SMSA Limited Partnership (the "LA Partnership"), and limited partnership interests in Aquinas Wireless L.P., King Street Wireless L.P., Barat Wireless L.P. and Carroll Wireless L.P. TDS' interests in such entities do not provide TDS with control over the business strategy, financial goals, build-out plans or other operational aspects of these entities. TDS cannot provide assurance that these entities will operate in a manner that will increase the value of TDS' investments, that TDS' proportionate share of income from the LA Partnership will continue at the current level in the future or that TDS will not incur losses from the holding of such investments. Losses in the values of such investments or a reduction in income from the LA Partnership could adversely affect TDS' financial condition or results of operations.

A failure by TDS to maintain flexible and capable telecommunication networks or information technology, or a material disruption thereof, including breaches of network or information technology security, could have an adverse effect on TDS' business, financial condition or results of operations.

TDS relies extensively on its telecommunication networks and information technology to operate and manage its business, process transactions and summarize and report results. These networks and technology become obsolete over time and must be upgraded, replaced and/or otherwise enhanced over time. Enhancements must be more flexible and robust than ever before. All of this is capital intensive and challenging. A failure by TDS to maintain flexible and capable telecommunication networks or information technology could have an adverse effect on TDS' business, financial condition or results of operations.

In addition, TDS' networks and information technology are subject to damage or interruption due to various events, including power outages, computer, network and telecommunications failures, computer viruses, security breaches, hackers, catastrophic events, natural disasters, errors or unauthorized actions by employees and vendors, flawed conversion of systems, disruptive technologies and technology changes. If TDS' networks and information technology are not adequately adapted to changes in technology or are damaged or fail to function properly, and/or if TDS' security is breached or otherwise compromised, TDS could suffer material adverse consequences, including loss of critical and private data, including customer data, interruptions or delays in its operations, inaccurate billings, inaccurate financial reporting, and significant costs to remedy the problems. If TDS' systems become unavailable or suffer a security breach of customer or other data, TDS may be required to expend significant resources and take various actions to address the problems, including notification under data privacy laws and regulations, may be subject to fines, sanctions and litigation, and its reputation and operating results could be adversely affected. Any material disruption in TDS' networks or information technology, including security breaches, could have an adverse effect on TDS' business, financial condition or results of operations.

Wars, conflicts, hostilities and/or terrorist attacks or equipment failures, power outages, natural disasters or other events could have an adverse effect on TDS' business, financial condition or results of operations.

Wars, conflicts, hostilities, terrorist attacks, major equipment failures, power outages, natural disasters, or similar disasters or failures that affect TDS' wireless or wireline telephone switching offices, information systems, microwave links, third-party owned local and long-distance networks on which TDS relies, TDS' cell sites or other equipment or the networks of other providers which TDS customers use or on which they roam could have a material adverse effect on TDS' operations. Although TDS has certain back-up and similar arrangements, TDS has not established a formal, comprehensive business continuity or emergency response plan at this time. As a result, under certain circumstances, TDS may not be prepared to continue its operations, respond to emergencies or recover from disasters or other similar events. TDS' inability to operate its telecommunications systems or access or operate its information systems even for a limited time period may result in a loss of customers or impair TDS' ability to serve customers or attract new customers, which could have an adverse effect on TDS' business, financial condition or results of operations.

The market prices of TDS' Common Shares and Special Common Shares are subject to fluctuations due to a variety of factors.

Factors that may affect the future market prices of TDS' Common Shares and Special Common Shares include:

- General economic conditions, including conditions in the credit and financial markets;
- Wireless and telecommunications industry conditions;
- Fluctuations in TDS' quarterly customer additions, churn rate, revenues, results of operations or cash flows;
- Variations between TDS' actual financial and operating results and those expected by analysts and investors; and
- Announcements by TDS' competitors.

Any of these or other factors could adversely affect the future market prices of TDS' Common Shares or Special Common Shares, or could cause the future market prices of TDS' Common Shares or Special Common Shares to fluctuate from time to time.

Identification of errors in financial information or disclosures could require amendments to or restatements of financial information or disclosures included in this or prior filings with the SEC.

TDS prepares its consolidated financial statement in accordance with accounting principles generally accepted in the United States of America ("GAAP") and files such financial statements with the SEC in accordance with the SEC's rules and regulations. The possible identification of any errors in such prior filings with the SEC could require restatements of financial information or amendments to disclosures included in this or prior filings with the SEC.

Restatements of financial statements by TDS and related matters, including resulting delays in filing periodic reports with the SEC, could have an adverse effect on TDS' business, financial condition or results of operations.

Restatements and delays in filing reports with the SEC could have adverse consequences, including the following: TDS' credit ratings could be downgraded, which would result in an increase in its borrowing costs and could make it more difficult for TDS to borrow funds on satisfactory terms. The lenders on TDS' revolving credit agreement could refuse to waive a default or extend a waiver of default, impose restrictive covenants or conditions or require increased payments and fees. The holders of debt under TDS' indenture could attempt to assert a default and, if successful and TDS does not cure the default in a timely manner, accelerate such debt. The New York Stock Exchange could begin delisting proceedings with respect to the TDS Common Shares, TDS Special Common Shares and TDS debt that is listed thereon. TDS may not be able to use or file shelf registration statements on Form S-3 for an extended period of time, which may limit TDS' ability to access the capital markets. TDS may not be able to use Form S-8 registration statements relating to its employee benefit plans, which may have an adverse affect on TDS' ability to attract and retain employees. TDS also could face shareholder litigation or SEC enforcement action. Any of these events could have an adverse effect on TDS' business, financial condition or results of operations.

The existence of material weaknesses in the effectiveness of internal control over financial reporting could result in inaccurate financial statements or other disclosures or failure to prevent fraud, which could have an adverse effect on TDS' business, financial condition or results of operations.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, TDS is required to furnish a report of management's assessment of the design and effectiveness of its internal control over financial reporting as part of its Form 10-K filed with the SEC. TDS management also is required to report on the effectiveness of TDS' disclosure controls and procedures. The independent auditors of TDS are required to attest to, and report on, the effectiveness of internal control over financial reporting. Material weaknesses could result in inaccurate financial statements or other disclosures or failure to prevent fraud, which could have an adverse effect on TDS' business, financial condition or results of operations. Further, if TDS does not successfully remediate any known material weaknesses in a timely manner, it could be subject to sanctions by regulatory authorities such as the SEC, it could fail to timely meet its regulatory reporting obligations, or investor perceptions could be negatively affected; each of these potential consequences could have an adverse effect on TDS' business, financial condition or results of operations.

Changes in facts or circumstances, including new or additional information that affects the calculation of potential liabilities for contingent obligations under guarantees, indemnities, claims, litigation or otherwise, could require TDS to record charges in excess of amounts accrued in the financial statements, if any, which could have an adverse effect on TDS' financial condition or results of operations.

The preparation of financial statements requires TDS to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. TDS bases its estimates on historical experience and on various other assumptions and information that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from estimates under different assumptions or conditions. Changes in facts or circumstances, including new or additional information that affects the calculation of potential liabilities for contingent obligations under guarantees, indemnities, claims, litigation or otherwise, could require TDS to record charges in excess of amounts accrued in the financial statements, if any, which could have an adverse effect on TDS' financial condition or results of operations.

Early redemptions or repurchases of debt, issuances of debt, changes in operating leases, changes in purchase obligations or other factors or developments could cause the amounts reported under Contractual Obligations in TDS' Management's Discussion and Analysis of Financial Condition and Results of Operations to be different from the amounts actually incurred.

TDS has reported amounts with respect to future contractual obligations under the caption "Contractual Obligations" in its Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-K. The actual amounts disbursed in the future may differ materially from these currently reported amounts due to various factors, including early redemptions of debt or repurchases of debt, issuances of debt, changes in operating leases, changes in purchase obligations or other factors or developments, which could have an adverse effect on TDS' business, financial condition or results of operations.

An increase in the amount of TDS' debt could subject TDS to higher interest costs and restrictions on its financing, investing and operating activities and could decrease its net income and cash flows.

TDS may increase its debt in the future for acquisitions or other purposes. For example, TDS may require substantial additional financing to fund acquisitions or other investments, capital expenditures, license purchases, operating costs and expenses, or other growth initiatives. TDS currently relies on its committed revolving credit facilities to meet any additional short-term financing needs. Other sources of financing may include public or private debt. The agreements governing any indebtedness may contain financial and other covenants that could impair TDS' flexibility and restrict TDS' ability to pursue growth opportunities. In addition, increased debt levels could result in higher interest costs and lower net income and cash flows.

Disruption in credit or other financial markets, a deterioration of U.S. or global economic conditions or other events, could, among other things, impede TDS' access to or increase the cost of financing its operating and investment activities and/or result in reduced revenues and lower operating income and cash flows, which would have an adverse effect on TDS' financial condition or results of operations.

Disruptions in the credit and financial markets, declines in consumer confidence, increases in unemployment, declines in economic growth and uncertainty about corporate earnings could have a significant negative impact on the U.S. and global financial and credit markets and the overall economy. Such events could have an adverse impact on financial institutions resulting in limited access to capital and credit for many companies. Furthermore, economic uncertainties make it very difficult to accurately forecast and plan future business activities. Changes in economic conditions, changes in financial markets, deterioration in the capital markets or other factors could have an adverse effect on TDS' financial position, revenues, results of operations and cash flows.

Uncertainty of access to capital for telecommunications companies, deterioration in the capital markets, other changes in market conditions, changes in TDS' credit ratings or other factors could limit or restrict the availability of financing on terms and prices acceptable to TDS, which could require TDS to reduce its construction, development or acquisition programs.

TDS and its subsidiaries operate capital-intensive businesses. TDS has used internally-generated funds and has also obtained substantial funds from external sources to finance the build out and enhancement of markets, to fund acquisitions and for general corporate purposes. TDS also may require substantial additional capital for, among other uses, acquisitions of providers of wireless or wireline telecommunications services, spectrum license or system acquisitions, system development and network capacity expansion. There can be no assurance that sufficient funds will continue to be available to TDS or its subsidiaries on terms or at prices acceptable to TDS. Uncertainty of access to capital for telecommunications companies, deterioration in the capital markets, other changes in market conditions, changes in TDS' credit ratings or other factors could limit or restrict the availability of financing on terms and prices acceptable to TDS, which could require TDS to reduce its construction, development and acquisition programs. Reduction of TDS' construction, development and acquisition programs likely would have a negative impact on TDS' consolidated revenues, income and cash flows.

TDS' and U.S. Cellular's credit facilities and the indentures governing their senior notes include restrictive covenants that limit their operating flexibility and TDS and U.S. Cellular may be unable to service their debt or to refinance their indebtedness before maturity.

TDS' and U.S. Cellular's credit facilities and the indentures governing their senior notes impose material operating and financial restrictions on them. These restrictions, subject in certain cases to exceptions, may limit their ability to engage in certain transactions, including the following:

- incurring additional debt;
- paying dividends, redeeming capital stock or making other restricted payments or investments;
- selling or buying assets, properties or licenses;
- creating liens on assets;
- merging, consolidating or disposing of assets; and
- entering into transactions with affiliates.

Under the credit facilities, TDS and U.S. Cellular are also subject to financial covenants. These restrictions could limit their ability to obtain debt financing, repurchase stock, refinance or pay principal on their outstanding debt, complete acquisitions for cash or debt or react to changes in their operating environment or the economy.

Any failure to comply with the restrictions of the credit facilities or the indentures may result in events of default under these agreements, which in turn may result in defaults or acceleration of obligations under other agreements, giving lenders the right to terminate any commitments they had made to provide TDS or U.S. Cellular with further funds and/or to require TDS or U.S. Cellular to repay all amounts then outstanding.

TDS' and U.S. Cellular's ability to meet their existing or future debt obligations will depend on their future performance and the other cash requirements of their businesses. TDS' and U.S. Cellular's performance, to a certain extent, is subject to general economic conditions, financial, competitive, business, political, regulatory and other factors that are beyond their control. In addition, TDS' and U.S. Cellular's ability to borrow funds in the future to make payment on their debt will depend on the satisfaction of covenants in their credit facilities, the indentures governing their senior notes and other debt agreements and other agreements which TDS or U.S. Cellular may enter into in the future. TDS cannot provide assurance that it or U.S. Cellular will continue to generate sufficient cash flow from operations at or above current levels or that future borrowings will be available to them under the credit facilities or from other sources in an amount sufficient to enable them to repay all of their indebtedness on a timely basis. Disruptions in the financial markets could make it more difficult to obtain debt or equity financing on reasonable terms or at all. TDS cannot provide assurance that it or U.S. Cellular will be able to service their debt or refinance any or all of their indebtedness on favorable or commercially reasonable terms, or at all.

Changes in income tax rates, laws, regulations or rulings, or federal or state tax assessments, could have an adverse effect on TDS' financial condition or results of operations.

TDS does not have control over changes in income tax rates, laws, regulations or rulings, or federal and state tax assessments. Income taxes and other federal or state taxes represent significant expenses for TDS. Accordingly, changes in income tax rates, laws, regulations or rulings, or federal and state tax assessments could have an adverse effect on TDS' financial condition or results of operations.

Settlements, judgments, restraints on its current or future manner of doing business and/or legal costs resulting from pending and future litigation could have an adverse effect on TDS' financial condition, results of operations or ability to do business.

TDS is regularly involved in a number of legal proceedings before the FCC and various state and federal courts. Such legal proceedings can be complex, costly, protracted and highly disruptive to business operations by diverting the attention and energies of management and other key personnel.

The assessment of legal proceedings is a highly subjective process that requires judgments about future events. The amounts ultimately received or paid upon settlement or other resolution of litigation and other contingencies may differ materially from amounts accrued in the financial statements. In addition, litigation or similar proceedings could impose restraints on TDS' current or future manner of doing business. Such potential outcomes could have an adverse effect on TDS' financial condition, results of operations or ability to do business.

The possible development of adverse precedent in litigation or conclusions in professional studies to the effect that radio frequency emissions from handsets, wireless data devices and/or cell sites cause harmful health consequences, including cancer or tumors, or may interfere with various electronic medical devices such as pacemakers, could have an adverse effect on TDS' wireless business, financial condition or results of operations.

Media reports have suggested that certain radio frequency emissions from wireless handsets may be linked to various health problems, including cancer or tumors, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Concerns over radio frequency emissions may discourage use of wireless handsets or expose TDS to potential litigation. Any resulting decrease in demand for wireless services or costs of litigation and damage awards could have an adverse effect on TDS' business, financial condition or results of operations.

In addition, some studies have indicated that some aspects of using wireless phones while driving may impair drivers' attention in certain circumstances, making accidents more likely. These concerns could lead to potential litigation relating to accidents, deaths or serious bodily injuries, any of which could have an adverse effect on TDS' business, financial condition or results of operations.

Numerous state and local legislative bodies have enacted or proposed legislation restricting or prohibiting the use of wireless phones while driving motor vehicles. These enacted or proposed laws or other similar laws, if passed, could have the effect of reducing customer usage and/or increasing costs, which could have an adverse effect on TDS' business, financial condition, or results of operations.

Claims of infringement of intellectual property and proprietary rights of others, primarily involving patent infringement claims, could prevent TDS from using necessary technology to provide services or subject TDS to expensive intellectual property litigation or monetary penalties, which could have an adverse effect on TDS' business, financial condition or results of operations.

If technology that TDS uses in products or services were determined by a court to infringe a patent or other intellectual property right held by another person, TDS could be precluded from using that technology and could be required to pay significant monetary damages. TDS also may be required to pay significant royalties to such person to continue to use such technology in the future. The successful enforcement of any intellectual property rights, or TDS' inability to negotiate a license for such rights on acceptable terms, could force TDS to cease using the relevant technology and offering services incorporating the technology. Any litigation to determine the validity of claims that TDS' products or services infringe or may infringe intellectual property rights of another, regardless of their merit or resolution, could be costly and divert the effort and attention of TDS' management and technical personnel. Regardless of the merits of any specific claim, TDS cannot give assurance that it would prevail in litigation because of the complex technical issues and inherent uncertainties in intellectual property litigation. Although TDS generally seeks to obtain indemnification agreements from vendors that provide it with technology, there can be no assurance that any claim of infringement will be covered by an indemnity or that TDS will be able to recover all or any of its losses and costs under any available indemnity agreements. Any claims of infringement of intellectual property and proprietary rights of others could prevent TDS from using necessary technology to provide its services or subject TDS to expensive intellectual property litigation or monetary penalties, which could have an adverse effect on TDS' business, financial condition or results of operations.

Certain matters, such as control by the TDS Voting Trust and provisions in the TDS Restated Certificate of Incorporation, may serve to discourage or make more difficult a change in control of TDS.

The TDS Restated Certificate of Incorporation, as amended, and the TDS bylaws contain provisions which may serve to discourage or make more difficult a change in control of TDS without the support of the TDS Voting Trust and the TDS Board of Directors or without meeting various other conditions.

The TDS Restated Certificate of Incorporation, as amended, authorizes the issuance of different series of common stock, which have different voting rights. The TDS Series A Common Shares have the power to elect approximately 75% (less one) of the directors and have ten votes per share in matters other than the election of directors. The TDS Common Shares (with one vote per share) and TDS Special Common Shares (with one vote per share) vote as a separate group only with respect to the election of 25% (plus one) of the directors. In matters other than the election of such directors, the TDS Common Shares have one vote per share and the TDS Special Common Shares have no votes except as required by law. As a result, the TDS Special Common Shares would generally not have any vote in connection with any change of control transaction involving TDS.

A substantial majority of the outstanding TDS Series A Common Shares are held in the TDS Voting Trust which expires on June 30, 2035. The TDS Voting Trust was created to facilitate the long-standing relationships among the trustees' certificate holders. By virtue of the number of shares held by them, the voting trustees have the power to elect eight directors based on the current TDS Board of Directors' size of 12 directors, and control a majority of the voting power of TDS with respect to matters other than the election of directors.

The existence of the TDS Voting Trust is likely to deter any potential unsolicited or hostile takeover attempts or other efforts to obtain control of TDS and may make it more difficult for shareholders to sell shares of TDS at higher than market prices. The trustees of the TDS Voting Trust have advised TDS that they intend to maintain the ability to keep or dispose of voting control of TDS.

The TDS Restated Certificate of Incorporation, as amended, also authorizes the TDS Board of Directors to designate and issue TDS Undesignated Shares in one or more classes or series of preferred or common stock from time to time. Generally, no further action or authorization by the shareholders is necessary prior to the designation or issuance of the additional TDS Undesignated Shares authorized pursuant to the TDS restated certificate of incorporation, as amended, unless applicable laws or regulations would require such approval in a given instance. Such TDS Undesignated Shares could be issued in circumstances that would serve to preserve control of TDS' then existing management.

In addition, the TDS Restated Certificate of Incorporation, as amended, includes a provision which authorizes the TDS Board of Directors to consider various factors, including effects on customers, taxes, and the long-term and short-term interests of TDS, in the context of a proposal or offer to acquire or merge the corporation, or to sell its assets, and to reject such offer if the TDS Board of Directors determines that the proposal is not in the best interests of the corporation based on such factors.

The provisions of the TDS restated certificate of incorporation, as amended, and the TDS bylaws and the existence of various classes of capital stock could prevent shareholders from profiting from an increase in the market value of their shares as a result of a change in control of TDS by delaying or preventing such change in control.

Any of the foregoing events or other events could cause revenues, customer additions, operating income, capital expenditures and/or any other financial or statistical information to vary from TDS' forward-looking estimates by a material amount.

From time to time, TDS may disclose forward-looking information, including estimates of future operating income; depreciation, amortization and accretion expenses; service revenues; net retail customer additions; and/or capital expenditures. Any such forward-looking information includes consideration of known or anticipated changes to the extent disclosed, but unknown or unanticipated events, including but not limited to the risks discussed above, could cause such estimates to differ materially from the actual amounts.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

U.S. Cellular

The physical properties for mobile telephone switching offices, cell sites, call centers and retail locations are located primarily in U.S. Cellular's operating markets and are either owned or leased under long-term leases by U.S. Cellular, one of its subsidiaries, or the partnership or corporation which holds the license issued by the FCC.

U.S. Cellular leases space for its corporate offices in Chicago and Bensenville, Illinois and its four regional offices, and owns its Network Operations Center in Schaumburg, Illinois. U.S. Cellular operates five customer care centers; one of the facilities used in these operations is owned and four are leased.

TDS Telecom

The physical properties of TDS Telecom are located primarily in its operating markets and consist principally of telephone lines and central office equipment for both the ILEC and CLEC operations, and land and buildings associated with ILEC operations. TDS Telecom owns most of its central office buildings, local administrative buildings and storage facilities used in its ILEC operations. TDS Telecom leases most of its offices, switching facility buildings, storage facilities and sales offices used in its CLEC operations.

TDS Telecom leases space for its corporate headquarters office in Madison, Wisconsin.

Corporate

TDS leases space for its corporate offices in Chicago, Illinois and Middleton, Wisconsin.

General

U.S. Cellular's cell and transmitter sites and TDS Telecom's telephone lines are located on private and public property. Locations on private land are by virtue of easements or other arrangements. U.S. Cellular and TDS Telecom have not experienced major problems with obtaining zoning approval for cell and transmitter sites, telephone lines or other operating facilities and do not anticipate significant problems in this area in future periods.

U.S. Cellular's and TDS Telecom's properties, plant and equipment are maintained in good operating condition and are suitable and adequate for TDS' business operations.

As of December 31, 2009, Property, plant and equipment, net of accumulated depreciation, totaled $2,601.3 million at U.S. Cellular, $790.1 million at TDS Telecom's ILEC and $90.3 million at TDS Telecom's CLEC; and $26.1 million at Corporate and Suttle-Strauss.

Item 3. Legal Proceedings

In February 2009, the United States Department of Justice ("DOJ") notified TDS and U.S. Cellular, a subsidiary of TDS, that each was a named defendant in a civil action brought by a private party in the U.S. District Court for the District of Columbia under the "qui tam" provisions of the federal False Claims Act. TDS and U.S. Cellular were advised that the complaint seeks return of approximately $165 million of bid credits from certain FCC auctions and requests treble damages. The complaint was under seal while the DOJ considered whether to intervene in the proceeding. On October 13, 2009, TDS and U.S. Cellular were advised that the DOJ had determined not to intervene in the proceeding. As a result of the complaint, the DOJ had investigated TDS' and U.S. Cellular's participation in certain spectrum auctions conducted by the FCC between 2005 and 2008, through Carroll Wireless, L.P., Barat Wireless, L.P., and King Street Wireless, L.P. Carroll Wireless, L.P., Barat Wireless, L.P. and King Street Wireless, L.P. were winning bidders in Auction 58, Auction 66 and Auction 73, respectively. These limited partnerships received a 25% bid credit in the applicable auction price under FCC rules. The DOJ investigated whether these limited partnerships qualified for the 25% bid credit in auction price considering their arrangements with TDS and U.S. Cellular. In addition, on October 13, 2009, the District Court unsealed the complaint. At that time, the District Court also ordered that, if the private party plaintiff decides to pursue the matter, it must serve the complaint on TDS and U.S. Cellular within 120 days. On January 12, 2010, the private party plaintiff filed a request to voluntarily dismiss the complaint and, on January 13, 2010, the U.S. District Court for the District of Columbia issued an order dismissing the complaint. The FCC sent a letter to King Street Wireless, L.P. requesting that it submit to the FCC a written response to the allegations in the complaint. King Street Wireless, L.P. made this submission as requested by the FCC on May 8, 2009. Following completion of its review of the matter, on December 30, 2009, the FCC issued a public notice announcing the grant to King Street Wireless, L.P. of all licenses with respect to which it had been the high bidder in Auction 73.

See Note 16 — Commitments and Contingencies in the Notes to Consolidated Financial Statements for further information.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 2009.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market, holder and dividend information is incorporated by reference from Exhibit 13 to this Form 10-K, Annual Report sections entitled "Stock and Dividend Information" and "Consolidated Quarterly Information (Unaudited)."

Information relating to Issuer Purchases of Equity Securities is set forth below.

In December 2009, TDS completed the authorization made in 2008 for the repurchase of up to $250 million in aggregate purchase price of both TDS Common and Special Common shares. On November 19, 2009, the Board of Directors of TDS authorized a new $250 million stock repurchase program for both TDS Common and Special Common shares. Depending on market conditions, such shares may be repurchased in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), pursuant to Rule 10b5-1 under the Exchange Act, or pursuant to accelerated share repurchase arrangements, prepaid share repurchases, private transactions or as otherwise authorized. This authorization will expire in November 2012.

The following table provides certain information with respect to all purchases made by or on behalf of TDS, and any open market purchases made by any "affiliated purchaser" (as defined by the SEC) of TDS, of TDS Special Common Shares and Common Shares during the fourth quarter of 2009.

TDS PURCHASES OF SPECIAL COMMON SHARES AND COMMON SHARES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Value of Shares that may yet be Purchased Under the Plans or Programs
2008 Authorization:				
October 1 - 31, 2009				
Common	370,067	$ 30.47	370,067	
Special Common	71,612	29.39	71,612	
Total	441,679	30.30	441,679	$ 350,074
November 1 - 30, 2009				
Common	—	—	—	
Special Common	—	—	—	
Total	—	—	—	350,074
December 1 - 31, 2009				
Common	—	—	—	
Special Common	12,570	27.85	12,570	
Total	12,570	27.85	12,570	—
2009 Authorization:				
November 1 - 30, 2009				
Common	—	—	—	
Special Common	—	—	—	
Total	—	—	—	250,000,000
December 1 - 31, 2009				
Common	—	—	—	
Special Common	98,732	29.13	98,732	
Total	98,732	29.13	98,732	247,124,361
Total as of or for the quarter ended December 31, 2009				
Common	370,067	30.47	370,067	
Special Common	182,914	29.14	182,914	
Total	552,981	$ 30.03	552,981	$ 247,124,361

<u>The following is additional information with respect to the 2008 Common and Special Common Shares authorization and the 2009 Common and Special Common Shares authorization:</u>

i. The date the 2008 program was announced was November 5, 2008 by Form 8-K. The date the 2009 program was announced was November 20, 2009 by Form 8-K.

ii. The amount originally approved for the 2008 program was up to $250 million in aggregate purchase price of TDS Common and Special Common Shares. The amount originally approved for the 2009 program was up to $250 million in aggregate purchase price of TDS Common and Special Common Shares.

iii. The expiration date for the 2008 program was November 3, 2011. The expiration date for the 2009 program is November 19, 2012.

iv. The 2008 Common and Special Common Shares authorization was completed in December 2009. The 2009 Common and Special Common Shares authorization did not expire during the fourth quarter of 2009

v. TDS has not determined to terminate the foregoing 2009 Common and Special Common Shares repurchase program prior to expiration, or to cease making further purchases thereunder, during the fourth quarter of 2009.

Item 6. Selected Financial Data

Incorporated by reference from Exhibit 13 to this Form 10-K, Annual Report section entitled "Selected Consolidated Financial Data," except for Ratio of earnings to fixed charges, which is incorporated herein by reference from Exhibit 12 to this Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Incorporated by reference from Exhibit 13 to this Form 10-K, Annual Report section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Incorporated by reference from Exhibit 13 to this Form 10-K, Annual Report section entitled "Market Risk."

Item 8. Financial Statements and Supplementary Data

Incorporated by reference from Exhibit 13 to this Form 10-K, Annual Report sections entitled "Consolidated Statement of Operations," "Consolidated Statement of Cash Flows," "Consolidated Balance Sheet," "Consolidated Statement of Changes in Equity," "Notes to Consolidated Financial Statements," "Consolidated Quarterly Information (Unaudited)," "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm."

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

<u>Evaluation of Disclosure Controls and Procedures</u>

TDS maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to TDS' management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As required by SEC Rule 13a-15(b), TDS carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of TDS' disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that TDS' disclosure controls and procedures were effective as of December 31, 2009, at the reasonable assurance level.

<u>Management's Report on Internal Control Over Financial Reporting</u>

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. TDS' internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United

States of America ("GAAP"). TDS' internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and, where required, the board of directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the issuer's assets that could have a material effect on the interim or annual consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of TDS' management, including its Chief Executive Officer and Chief Financial Officer, TDS conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has concluded that TDS maintained effective internal control over financial reporting as of December 31, 2009 based on criteria established in *Internal Control — Integrated Framework* issued by the COSO.

The effectiveness of TDS' internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in the firm's report which is incorporated by reference into Item 8 of this Annual Report on Form 10-K from Exhibit 13 filed herewith.

Changes in Internal Control Over Financial Reporting

There were no changes in TDS' internal control over financial reporting during the fourth quarter of 2009 that have materially affected, or are reasonably likely to materially affect, TDS' internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated by reference from Proxy Statement sections entitled "Election of Directors," "Corporate Governance," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance."

Item 11. Executive Compensation

Incorporated by reference from Proxy Statement section entitled "Executive and Director Compensation."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated by reference from Proxy Statement sections entitled "Security Ownership of Certain Beneficial Owners and Management" and "Securities Authorized for Issuance under Equity Compensation Plans."

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated by reference from Proxy Statement sections entitled "Corporate Governance" and "Certain Relationships and Related Transactions."

Item 14. Principal Accountant Fees and Services

Incorporated by reference from Proxy Statement section entitled "Fees Paid to Principal Accountants."

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this report:

(1) Financial Statements

Consolidated Statement of Operations	Annual Report*
Consolidated Statement of Cash Flows	Annual Report*
Consolidated Balance Sheet	Annual Report*
Consolidated Statement of Changes in Equity	Annual Report*
Consolidated Statement of Comprehensive Income	Annual Report*
Notes to Consolidated Financial Statements	Annual Report*
Consolidated Quarterly Information (Unaudited)	Annual Report*
Management's Report on Internal Control Over Financial Reporting	Annual Report*
Report of Independent Registered Public Accounting Firm — PricewaterhouseCoopers LLP	Annual Report*

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* Incorporated by reference from Exhibit 13.

(2) Financial Statement Schedules

	Location
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule—PricewaterhouseCoopers LLP	page S-1
II. Valuation and Qualifying Accounts	page S-2
Los Angeles SMSA Limited Partnership Financial Statements	page S-3
Report of Independent Registered Public Accounting Firm—Deloitte & Touche LLP	page S-4
Balance Sheets	page S-5
Statements of Operations	page S-6
Statements of Changes in Partners' Capital	page S-7
Statements of Cash Flows	page S-8
Notes to Financial Statements	page S-9

All other schedules have been omitted because they are not applicable or not required because the required information is shown in the financial statements or notes thereto.

(3) Exhibits

The exhibits set forth in the accompanying Index to Exhibits are filed as a part of this Report. Compensatory plans or arrangements are identified in the Index to Exhibits with an asterisk.

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

To the Board of Directors of
Telephone and Data Systems, Inc.:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 25, 2010 appearing in the 2009 Annual Report to Shareholders of Telephone and Data Systems, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, based on our audits and the report of other auditors, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Chicago, Illinois

TELEPHONE AND DATA SYSTEMS, INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Column A	Column B	Column C-1	Column C-2	Column D	Column E
(Dollars in thousands)					
For the Year Ended December 31, 2009					
Deducted from deferred tax asset:					
Valuation allowance(1)	$ (78,760)	$ 13,762	$ 1,128	$ —	$ (63,870)
Deducted from accounts receivable:					
Allowance for doubtful accounts	(19,202)	(115,989)	—	97,568	(37,623)
For the Year Ended December 31, 2008					
Deducted from deferred tax asset:					
Valuation allowance	$ (74,867)	$ —	$ (3,893)	$ —	$ (78,760)
Deducted from accounts receivable:					
Allowance for doubtful accounts	(21,623)	(83,004)	—	85,425	(19,202)
For the Year Ended December 31, 2007					
Deducted from deferred tax asset:					
Valuation allowance	$ (49,506)	$ 11,974	$ (37,335)	$ —	$ (74,867)
Deducted from accounts receivable:					
Allowance for doubtful accounts	(25,383)	(74,988)	—	78,748	(21,623)

(1) As of December 31, 2009, the valuation allowance reduced current deferred tax assets by $1.0 million and noncurrent deferred tax assets by $62.9 million.

LOS ANGELES SMSA LIMITED PARTNERSHIP
FINANCIAL STATEMENTS

TDS' subsidiary, U.S. Cellular, owns a 5.5% limited partnership interest in the Los Angeles SMSA Limited Partnership and accounts for such interest by the equity method. The partnership's financial statements were obtained by U.S. Cellular as a limited partner.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Los Angeles SMSA Limited Partnership:

We have audited the accompanying balance sheets of Los Angeles SMSA Limited Partnership (the "Partnership") as of December 31, 2009 and 2008, and the related statements of operations, changes in partners' capital, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 25, 2010

LOS ANGELES SMSA LIMITED PARTNERSHIP

BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(Dollars in Thousands)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Accounts receivable, net of allowance of $17,688 and $19,265	$ 281,946	$ 276,141
Unbilled revenue	20,040	20,280
Due from affiliate	431,698	392,543
Prepaid expenses and other current assets	3,696	3,037
Total current assets	737,380	692,001
PROPERTY, PLANT AND EQUIPMENT—Net	1,544,788	1,611,814
WIRELESS LICENSES	79,543	79,543
OTHER ASSETS	545	656
TOTAL ASSETS	$ 2,362,256	$ 2,384,014
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 85,832	$ 76,718
Advance billings and customer deposits	104,869	108,578
Deferred gain on lease transaction	4,923	4,923
Total current liabilities	195,624	190,219
LONG TERM LIABILITIES:		
Deferred gain on lease transaction	48,678	53,611
Other long term liabilities	12,429	11,481
Total long term liabilities	61,107	65,092
Total liabilities	256,731	255,311
COMMITMENTS AND CONTINGENCIES (see Notes 6 and 7)		
PARTNERS' CAPITAL	2,105,525	2,128,703
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 2,362,256	$ 2,384,014

See notes to financial statements.

LOS ANGELES SMSA LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Dollars in Thousands)

	2009	2008	2007
OPERATING REVENUES (see Note 5 for Transactions with Affiliates and Related Parties):			
Service revenues, net	$ 3,429,895	$ 3,428,291	$ 3,319,515
Equipment, net and other revenues	418,210	475,729	423,013
Total operating revenues	3,848,105	3,904,020	3,742,528
OPERATING COSTS AND EXPENSES (see Note 5 for Transactions with Affiliates and Related Parties):			
Cost of service (excluding depreciation and amortization related to network assets included below)	571,703	560,250	543,800
Cost of equipment	695,952	720,276	614,572
Selling, general and administrative	1,124,973	1,131,665	1,044,193
Depreciation and amortization	325,887	313,389	291,303
Net (gain) loss on disposal of property, plant and equipment	—	—	8
Total operating costs and expenses	2,718,515	2,725,580	2,493,876
OPERATING INCOME	1,129,590	1,178,440	1,248,652
OTHER INCOME:			
Interest income, net	41,001	25,526	34,110
Other, net	6,231	6,024	5,839
Total other income	47,232	31,550	39,949
NET INCOME	$ 1,176,822	$ 1,209,990	$ 1,288,601
Allocation of Net Income:			
Limited partners	$ 706,094	$ 725,994	$ 773,160
General Partner	$ 470,728	$ 483,996	$ 515,441

See notes to financial statements.

LOS ANGELES SMSA LIMITED PARTNERSHIP

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Dollars in Thousands)

	General Partner	Limited Partners			
	AirTouch Cellular	AirTouch Cellular	Cellco Partnership	United States Cellular Corporation	Total Partners' Capital
BALANCE—January 1, 2007	$ 812,045	$ 858,737	$ 247,674	$ 111,656	$ 2,030,112
Distributions	(480,000)	(507,600)	(146,400)	(66,000)	(1,200,000)
Net income	515,441	545,078	157,209	70,873	1,288,601
BALANCE—December 31, 2007	847,486	896,215	258,483	116,529	2,118,713
Distributions	(480,000)	(507,600)	(146,400)	(66,000)	(1,200,000)
Net income	483,996	511,826	147,619	66,549	1,209,990
BALANCE—December 31, 2008	851,482	900,441	259,702	117,078	2,128,703
Distributions	(480,000)	(507,600)	(146,400)	(66,000)	(1,200,000)
Net income	470,728	497,796	143,573	64,725	1,176,822
BALANCE—December 31, 2009	$ 842,210	$ 890,637	$ 256,875	$ 115,803	$ 2,105,525

See notes to financial statements.

LOS ANGELES SMSA LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Dollars in Thousands)

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 1,176,822	$ 1,209,990	$ 1,288,601
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	325,887	313,389	291,303
Net (gain) loss on disposal of property, plant and equipment	—	—	8
Provision for losses on accounts receivable	41,980	49,685	39,694
Amortization of deferred gain on lease transaction	(4,933)	(4,982)	(4,918)
Changes in certain assets and liabilities:			
Accounts receivable	(47,785)	(42,519)	(67,870)
Unbilled revenue	240	3,412	2,793
Prepaid expenses and other current assets	(659)	1,247	(1,092)
Accounts payable and accrued liabilities	17,419	(3,462)	(7,475)
Advance billings and customer deposits	(3,709)	6,223	11,215
Other long term liabilities	948	1,794	1,066
Net cash provided by operating activities	1,506,210	1,534,777	1,553,325
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures from affiliates, net	(267,055)	(355,950)	(325,815)
Change in due from affiliate, net	(39,155)	21,173	(27,510)
Net cash used in investing activities	(306,210)	(334,777)	(353,325)
CASH FLOWS FROM FINANCING ACTIVITIES —			
Distributions to partners	(1,200,000)	(1,200,000)	(1,200,000)
CHANGE IN CASH	—	—	—
CASH—Beginning of year	—	—	—
CASH—End of year	$ —	$ —	$ —
NONCASH TRANSACTIONS FROM INVESTING AND FINANCING ACTIVITIES — Accruals for capital expenditures	$ 5,052	$ 13,357	$ 10,455

See notes to financial statements.

LOS ANGELES SMSA LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Dollars in Thousands)

1. ORGANIZATION AND MANAGEMENT

Los Angeles SMSA Limited Partnership—Los Angeles SMSA Limited Partnership (the "Partnership") was formed on January 1, 1984. The principal activity of the Partnership is providing cellular service in the Los Angeles metropolitan service area.

The partners and their respective ownership percentages as of December 31, 2009, 2008 and 2007 are as follows:

General Partner:	
AirTouch Cellular* ("General Partner")	40.0%
Limited Partners:	
AirTouch Cellular*	42.3%
Cellco Partnership	12.2%
United States Cellular Corporation	5.5%

*AirTouch Cellular is a wholly-owned subsidiary of Verizon Wireless (VAW) LLC (a wholly-owned subsidiary of Cellco Partnership (“Cellco”) doing business as Verizon Wireless).

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are used for, but not limited to, the accounting for: allocations, allowance for uncollectible accounts receivable, unbilled revenue, depreciation and amortization, useful lives and impairment of assets, accrued expenses, and contingencies. Estimates and assumptions are periodically reviewed and the effects of any material revisions are reflected in the financial statements in the period that they are determined to be necessary.

Revenue Recognition— The Partnership earns revenue by providing access to our network (access revenue) and for usage of our network (usage revenue), which includes voice and data revenue. Customers are associated with the Partnership based upon mobile identification number. In general, access revenue is billed one month in advance and is recognized when earned; the unearned portion is classified in advance billings in the balance sheet. Usage revenue is recognized when service is rendered and included in unbilled revenue until billed. Equipment sales revenue associated with the sale of wireless devices is recognized when the products are delivered to and accepted by the customer, as this is considered to be a separate earnings process from the sale of wireless services. Customer activation fees are considered additional consideration, and to the extent that we incur costs in excess of fees, these fees are recorded as equipment and other revenue at the time of customer acceptance. For agreements involving the resale of third-party services in which we are considered the primary obligor in the arrangements, we record revenue gross. The roaming rates charged by the Partnership to Cellco do not necessarily reflect current market rates. The Partnership will continue to re-evaluate the rates on a periodic basis (See Note 5).

The Partnership reports taxes imposed by governmental authorities on revenue-producing transactions between us and our customers that are within the scope of the accounting standard related to how taxes collected from customers and remitted to governmental authorities should be presented in the statement of operations in the financial statements on a gross basis.

Operating Costs and Expenses—Operating expenses include expenses incurred directly by the Partnership, as well as an allocation of certain selling, general and administrative and operating costs incurred by Cellco or its affiliates on behalf of the Partnership. Employees of Cellco provide services performed on behalf of the Partnership. These employees are not employees of the Partnership and therefore, operating expenses include direct and allocated charges of salary and employee benefit costs for the services provided to the Partnership. Cellco believes such allocations, principally based on the Partnership's percentage of total customers, customer gross additions or minutes of use, are reasonable. The roaming rates charged to the Partnership by Cellco do not necessarily reflect current market rates. The Partnership will continue to re-evaluate the rates on a periodic basis (see Note 5).

Retail Stores—The daily operations of all retail stores located within the Partnership's operating area are managed by Cellco. However, all income and expenses incurred by and fixed assets and liabilities related to these retail stores are recorded on the books of the Partnership.

Income Taxes—The Partnership is not a taxable entity for federal and state income tax purposes. Any taxable income or loss is apportioned to the partners based on their respective partnership interests and is reported by them individually.

Inventory—Inventory is owned by Cellco and is not recorded on the Partnership's financial statements. Upon sale, the related cost of the inventory is transferred to the Partnership at Cellco's cost basis and included in the accompanying statements of operations.

Allowance for Doubtful Accounts—The Partnership maintains allowances for uncollectible accounts receivable for estimated losses resulting from the inability of customers to make required payments. Estimates are based on the aging of the accounts receivable balances and the historical write-off experience, net of recoveries.

Property, Plant and Equipment—Property, plant and equipment primarily represents costs incurred to construct and expand capacity and network coverage on Mobile Telephone Switching Offices and cell sites. The cost of property, plant and equipment is depreciated over its estimated useful life using the straight-line method of accounting. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the related lease. Major improvements to existing plant and equipment are capitalized. Routine maintenance and repairs that do not extend the life of the plant and equipment are charged to expense as incurred.

Upon the sale or retirement of property, plant and equipment, the cost and related accumulated depreciation or amortization is eliminated from the accounts and any related gain or loss is reflected in the statements of operations. All property, plant and equipment purchases are made through an affiliate of Cellco. Transfers of property, plant and equipment between Cellco and affiliates are recorded at net book value.

Network engineering and interest costs incurred during the construction phase of the Partnership's network and real estate properties under development are capitalized as part of property, plant and equipment and recorded as construction-in-progress until the projects are completed and placed into service.

FCC Licenses— The Federal Communications Commission ("FCC") issues licenses that authorize cellular carriers to provide service in specific cellular geographic service areas. The FCC grants licenses for terms of up to ten years. In 1993, the FCC adopted specific standards to apply to cellular renewals, concluding it will reward a license renewal to a cellular licensee that meets certain standards of past performance. Historically, the FCC has granted license renewals routinely and at nominal costs, which are expensed as incurred. The current terms of the Partnership's FCC licenses expire in October 2014, February 2016 and April 2017. Cellco believes it will be able to meet all requirements necessary to secure renewal of the Partnership's cellular licenses. FCC wireless licenses totaling $79,543 are recorded on the books of the Partnership as of December 31, 2009 and 2008. There are additional wireless licenses issued by the FCC that authorize the Partnership to provide cellular service recorded on the books of Cellco.

Valuation of Assets—Long-lived assets, including property, plant and equipment and intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. The impairment loss, if determined to be necessary, would be measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

The Partnership's principal intangible assets are wireless licenses, which provide the Partnership with the exclusive right to utilize certain radio frequency spectrum to provide wireless communication services. Moreover, Cellco has determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of the Partnership's wireless licenses. As a result, the wireless licenses are treated as an indefinite life intangible asset, and are not amortized but rather are tested for impairment. Cellco and the Partnership reevaluates the useful life determination for wireless licenses at least annually to determine whether events and circumstances continue to support an indefinite useful life.

Cellco and the Partnership tests its wireless licenses for potential impairment annually, and more frequently if indications of impairment exist. Cellco and the Partnership evaluate its licenses on an aggregate basis, using a direct income-based value approach. This approach estimates fair value using a discounted cash flow analysis to estimate what a marketplace participant would be willing to pay to purchase the aggregated wireless licenses as of the valuation date. If the fair value of the aggregated wireless licenses is less than the aggregated carrying amount of the wireless licenses, an impairment is recognized. .In addition, Cellco believes that under the Partnership agreement it has the right to allocate, based on a reasonable methodology, any impairment loss recognized by Cellco for all licenses included in Cellco's national footprint. Cellco does not charge the Partnership for the use of any FCC license recorded on its books (except for the annual cost of $28,172 related to the spectrum lease, as discussed in Note 5). Cellco and the Partnership evaluated its wireless licenses for potential impairment as of December 15, 2009 and December 15, 2008. These evaluations resulted in no impairment of wireless licenses.

Fair Value Measurements— In accordance with the accounting standard regarding fair value measurements, fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This accounting standard also establishes a three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 - No observable pricing inputs in the market

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Our assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Concentrations—To the extent the Partnership's customer receivables become delinquent, collection activities commence. No single customer is large enough to present a significant financial risk to the Partnership. The Partnership maintains an allowance for losses based on the expected collectibility of accounts receivable.

Cellco and the Partnership rely on local and long distance telephone companies, some of whom are related parties, and other companies to provide certain communication services. Although management believes alternative telecommunications facilities could be found in a timely manner, any disruption of these services could potentially have an adverse impact on the Partnership's operating results.

Although Cellco attempts to maintain multiple vendors for its network assets and inventory, which are important components of its operations, they are currently acquired from only a few sources. Certain of these products are in turn utilized by the Partnership and are important components of the Partnership's operations. If the suppliers are unable to meet Cellco's needs as it builds out its network infrastructure and sells service and equipment, delays and increased costs in the expansion of the Partnership's network infrastructure or losses of potential customers could result, which would adversely affect operating results.

Financial Instruments—The Partnership's trade receivables and payables are short-term in nature, and accordingly, their carrying value approximates fair value.

Due from affiliate—Due from affiliate principally represents the Partnership's cash position. Cellco manages, on behalf of the Partnership, all cash, inventory, investing and financing activities. As such, the change in due from affiliate is reflected as an investing activity or a financing activity in the statements of cash flows depending on whether it represents a net asset or net liability for the Partnership.

Additionally, administrative and operating costs incurred by Cellco on behalf of the Partnership, as well as property, plant, and equipment transactions with affiliates, are charged to the Partnership through this account. Interest income or interest expense is based on the average monthly outstanding balance in this account and is calculated by applying Cellco's average cost of borrowing from Verizon Global Funding, a wholly-owned subsidiary of Verizon Communications, Inc., which was approximately 5.8%, 4.0% and 5.4% for the years ended December 31, 2009, 2008 and 2007, respectively. Included in net interest income is interest income of $41,222, $25,800 and $34,304 for the years ended December 31, 2009, 2008 and 2007, respectively, related to the due from affiliate.

Distributions— The Partnership is required to make distributions to its partners based upon the Partnership's operating results, cash availability and financing needs as determined by the General Partner at the date of the distribution.

Recently Adopted Accounting Pronouncements— The adoption of the following accounting standards and updates during 2009 did not result in a significant impact to the Partnership's financial statements:

On January 1, 2009, the Partnership adopted the accounting standard regarding the determination of the useful life of intangible assets that removes the requirement to consider whether an intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions, and replaces it with a requirement that an entity consider its own historical experience in renewing similar arrangements, or a consideration of market participant assumptions in the absence of historical experience. This standard also requires entities to disclose information that enables users of financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangements.

On June 15, 2009, the Partnership adopted the accounting standard regarding the general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before the financial statements are issued. This standard was effective prospectively for all annual reporting periods ending after June 15, 2009.

On June 15, 2009, the Partnership adopted the accounting standard that amends the requirements for disclosures about fair value of financial instruments. This standard was effective prospectively for all annual reporting periods ending after June 15, 2009.

On June 15, 2009, the Partnership adopted the accounting standard regarding estimating fair value measurements when the volume and level of activity for the asset or liability has significantly decreased which also provides guidance for identifying transactions that are not orderly. This standard was effective prospectively for all annual reporting periods ending after June 15, 2009.

On August 28, 2009, the Partnership adopted the accounting standard update regarding the measurement of liabilities at fair value. This standard update provides techniques to use in measuring fair value of a liability in circumstances in which a quoted price in an active market for the identical liability is not available. This standard update is effective prospectively for all annual reporting periods upon issuance.

Other Recent Accounting Standard—In September 2009, the accounting standard regarding multiple deliverable arrangements was updated to require the use of the relative selling price method when allocating revenue in these types of arrangements. This method allows a vendor to use its best estimate of selling price if neither vendor specific objective evidence nor third party evidence of selling price exists when evaluating multiple deliverable arrangements. This standard update is effective January 1, 2011 and may be adopted prospectively for revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all revenue arrangements for all period presented. The Partnership is currently evaluating the impact this standard update will have on the financial statements.

Subsequent Events—Events subsequent to December 31, 2009 have been evaluated through February 25, 2010, the date the financial statements were issued.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following as of December 31, 2009 and 2008:

	Useful Lives	2009	2008
Land		$ 7,656	$ 7,656
Buildings and improvements	20-40 years	462,057	434,298
Cellular plant equipment	3-15 years	2,642,191	2,586,438
Furniture, fixtures and equipment	2-10 years	81,357	84,456
Leasehold improvements	5 years	274,932	221,245
		3,468,193	3,334,093
Less accumulated depreciation and amortization		1,923,405	1,722,279
Property, plant and equipment, net		$ 1,544,788	$ 1,611,814

Capitalized network engineering costs of $16,210 and $13,427 were recorded during the years ended December 31, 2009 and 2008, respectively. Construction-in-progress included in certain of the classifications shown above, principally cellular plant equipment, amounted to $64,716 and $115,865 at December 31, 2009 and 2008, respectively.

Tower Transactions—Prior to the acquisition of the Partnership interest by Cellco in 2000, Vodafone Group Plc ("Vodafone"), then parent company of AirTouch Cellular, entered into agreements to sublease all of its unused space on up to 430 of its communications towers ("Sublease Agreement") to SpectraSite Holdings, Inc. ("SpectraSite") in exchange for $155,000. At various closings in 2001 and 2000, SpectraSite leased 274 communications towers owned and operated by the Partnership for $98,465. At December 31, 2009 and 2008, the Partnership has $53,601 and $58,534, respectively, recorded as deferred gain on lease transaction. The Sublease Agreement requires monthly maintenance fees for the existing physical space used by the Partnership's cellular equipment. The Partnership paid $12,021, $9,387 and $9,777 to SpectraSite pursuant to the Sublease Agreement for the years ended December 31, 2009, 2008 and 2007, respectively, which is included in cost of service in the accompanying Statements of Operations. The terms of the Sublease Agreement differ for leased communication towers versus those owned by the Partnership and range from 20 to 99 years.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following as of December 31, 2009 and 2008:

	2009	2008
Accounts payable	$ 33,525	$ 35,706
Non-income based taxes and regulatory fees	35,476	25,331
Accrued commissions	16,831	15,681
Accounts payable and accrued liabilities	$ 85,832	$ 76,718

5. TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Affiliate transactions include, but are not limited to, allocations, intra-company roaming, the salaries and related expenses of employees of Cellco, PCS spectrum lease payments and direct payments to a related party of the Partnership, such as rent or commissions. Revenues and expenses were allocated based on the Partnership's percentage of customers or gross customer additions or minutes of use, where applicable. Cellco believes the allocations are reasonable. The affiliate transactions are not necessarily conducted at arm's length.

Significant transactions with affiliates (Cellco and its related entities) and other related parties, including allocations and direct charges, are summarized as follows for the years ended December 31, 2009, 2008 and 2007:

	2009	2008	2007
Service revenues (a)	$ 184,502	$ 192,887	$ 219,495
Equipment and other revenues (b)	(37,482)	(22,674)	(25,126)
Cost of service (c)	466,927	466,418	458,912
Cost of equipment (d)	70,275	68,194	64,427
Selling, general and administrative (e)	840,502	811,034	741,137

(a) Service revenues include roaming revenues relating to customers of other affiliated markets, long distance, data and allocated contra-revenues including revenue concessions.

(b) Equipment and other revenues include switch revenue, sales of handsets and accessories and allocated contra-revenues including equipment concessions and coupon rebates.

(c) Cost of service includes roaming costs relating to customers roaming in other affiliated markets and allocated cost of telecom, long distance, and handset applications.

(d) Cost of equipment includes allocated handsets, accessories, warehousing and freight.

(e) Selling, general and administrative expenses include salaries, commissions and billing, and allocated office telecom, customer care, sales and marketing, advertising, and commissions.

On October 19, 2007, the Partnership entered into lease agreements for the right to use additional spectrum owned by Cellco. The initial term of these agreements is ten years. The 2009 annual lease commitment of $28,172 represents the costs of financing the spectrum, and does not necessarily reflect the economic value of the services received. No additional spectrum purchases or lease commitments, other than the $28,172 have been entered into by the Partnership as of December 31, 2009.

6. COMMITMENTS

Cellco, on behalf of the Partnership, and the Partnership itself have entered into operating leases for facilities, equipment and spectrum used in its operations. Lease contracts include renewal options that include rent expense adjustments based on the Consumer Price Index as well as annual and end-of-lease term adjustments. Rent expense is recorded on a straight-line basis. The noncancelable lease term used to calculate the amount of the straight-line rent expense is generally determined to be the initial lease term, including any optional renewal terms that are reasonably assured. Leasehold improvements related to these operating leases are amortized over the shorter of their estimated useful lives or the noncancelable lease term. For the years ended December 31, 2009, 2008 and 2007, the Partnership recognized a total of $95,499, $88,619 and $66,102, respectively, as rent expense related to payments under these operating leases, which was included in cost of service and general and administrative expenses in the accompanying Statements of Operations.

Aggregate future minimum rental commitments under noncancelable operating leases, excluding renewal options that are not reasonably assured, for the years shown are as follows:

Years	Amount
2010	$ 78,388
2011	70,659
2012	63,149
2013	54,697
2014	44,810
2015 and thereafter	95,892
Total minimum payments	$ 407,595

From time to time Cellco enters into purchase commitments, primarily for network equipment, on behalf of the Partnership.

7. CONTINGENCIES

Cellco is subject to various lawsuits and other claims including class actions, product liability, patent infringement, antitrust, partnership disputes, and claims involving relations with resellers and agents. Cellco is also defending lawsuits filed against itself and other participants in the wireless industry alleging various adverse effects as a result of wireless phone usage. Various consumer class action lawsuits allege that Cellco breached contracts with consumers, violated certain state consumer protection laws and other statutes and defrauded customers through concealed or misleading billing practices. Certain of these lawsuits and other claims may impact the Partnership. These litigation matters may involve indemnification obligations by third parties and/or affiliated parties covering all or part of any potential damage awards against Cellco and the Partnership and/or insurance coverage. All of the above matters are subject to many uncertainties, and outcomes are not predictable with assurance.

The Partnership may be allocated a portion of the damages that may result upon adjudication of these matters if the claimants prevail in their actions. Consequently, the ultimate liability with respect to these matters at December 31, 2009 cannot be ascertained. The potential effect, if any, on the financial statements of the Partnership, in the period in which these matters are resolved, may be material.

In addition to the aforementioned matters, Cellco is subject to various other legal actions and claims in the normal course of business. While Cellco's legal counsel cannot give assurance as to the outcome of each of these matters, in management's opinion, based on the advice of such legal counsel, the ultimate liability with respect to any of these actions, or all of them combined, will not materially affect the financial statements of the Partnership.

8. RECONCILIATION OF ALLOWANCE FOR DOUBTFUL ACCOUNTS

	Balance at Beginning of the Year	Additions Charged to Operations	Write-offs Net of Recoveries	Balance at End of the Year
Accounts Receivable Allowances:				
2009	$ 19,265	$ 41,980	$ (43,557)	$ 17,688
2008	16,975	49,685	(47,395)	19,265
2007	12,028	39,694	(34,747)	16,975

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELEPHONE AND DATA SYSTEMS, INC.

By: /s/ LeRoy T. Carlson, Jr.
LeRoy T. Carlson, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Kenneth R. Meyers
Kenneth R. Meyers
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Douglas D. Shuma
Douglas D. Shuma
Senior Vice President and Controller
(Principal Accounting Officer)

Dated: February 25, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ LeRoy T. Carlson, Jr. LeRoy T. Carlson, Jr.	Director	February 25, 2010
/s/ Letitia G.C. Carlson Letitia G.C. Carlson	Director	February 25, 2010
/s/ Prudence E. Carlson Prudence E. Carlson	Director	February 25, 2010
/s/ Walter C.D. Carlson Walter C.D. Carlson	Director	February 25, 2010
/s/ Clarence A. Davis Clarence A. Davis	Director	February 25, 2010
/s/ Kenneth R. Meyers Kenneth R. Meyers	Director	February 25, 2010
/s/ Donald C. Nebergall Donald C. Nebergall	Director	February 25, 2010
/s/ George W. Off George W. Off	Director	February 25, 2010
/s/ Christopher D. O'Leary Christopher D. O'Leary	Director	February 25, 2010
/s/ Mitchell H. Saranow Mitchell H. Saranow	Director	February 25, 2010
/s/ Gary L. Sugarman Gary L. Sugarman	Director	February 25, 2010
/s/ Herbert S. Wander Herbert S. Wander	Director	February 25, 2010

INDEX TO EXHIBITS

Exhibit Number	Description of Documents
3.1(a)	TDS Restated Certificate of Incorporation, as amended, is hereby incorporated by reference to Exhibit 3.1 to TDS' Report on Form 8-A/A filed on July 10, 1998.
3.1(b)	Certificate of Amendment to Restated Certificate of Incorporation is hereby incorporated by reference to Exhibit 3.1 to TDS' Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
3.1(c)	Certificate of Amendment dated April 11, 2005 to TDS' Restated Certificate of Incorporation, as amended, is hereby incorporated by reference from Exhibit 3 to TDS' Report on Form 8-A filed on April 11, 2005.
3.2	TDS Restated Bylaws, as amended, are hereby incorporated by reference to Exhibit 3.1 to TDS' Current Report on Form 8-K dated November 3, 2008.
4.1(a)	TDS Restated Certificate of Incorporation, as amended, is hereby incorporated by reference to Exhibit 3.1 to TDS' Report on Form 8-A/A filed on July 10, 1998.

4.1(b)	Certificate of Amendment to Restated Certificate of Incorporation is hereby incorporated by reference to Exhibit 3.1 to TDS' Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
4.1(c)	Certificate of Amendment dated April 11, 2005 to TDS' Restated Certificate of Incorporation, as amended, is herby incorporated by reference from Exhibit 3 to TDS' Report on Form 8-A filed on April 11, 2005.
4.2	TDS Restated Bylaws, as amended, are hereby incorporated by reference to Exhibit 3.1 to TDS' Current Report on Form 8-K dated November 3, 2008.
4.3(a)	Indenture between TDS and BNY Midwest Trust Company dated November 1, 2001 is hereby incorporated by reference to Exhibit 4 to TDS' Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
4.3(b)	First Supplemental Indenture dated November 28, 2001 by and between TDS and BNY Midwest Trust Company, establishing TDS' 7.60% Series A Notes is hereby incorporated by reference to Exhibit 1 to TDS' Report on Form 8-A, filed on November 29, 2001.
4.3(c)	Second Supplemental Indenture dated May 31, 2002 by and between TDS and BNY Midwest Trust Company making changes to the First Supplemental Indenture is hereby incorporated by reference to Exhibit 4.8 to TDS' Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
4.3(d)	Third Supplemental Indenture dated March 31, 2005 by and between TDS and BNY Midwest Trust Company, establishing TDS' 6.625% Senior Notes due 2045, is hereby incorporated by reference to TDS' Current Report on Form 8-K dated March 23, 2005.
4.4	Revolving Credit Agreement dated June 30, 2009 among TDS and the lenders named therein, Bank of America, N.A. as Administrative Agent, Swing Line Lender and Letter of Credit Issuer, Banc of America Securities LLC, SunTrust Bank and U.S. Bank N.A. as Co-Lead Arrangers and Joint Book Managers, SunTrust Bank as Syndication Agent and Toronto Dominion (Texas) LLC, Wells Fargo Bank, N.A. and U.S. Bank N.A. as Co-Documentation Agents is hereby incorporated by reference to Exhibit 4.1 to TDS' Current Report on Form 8-K dated June 30, 2009.
4.5(a)	Revolving Credit Agreement dated June 30, 2009 among U.S. Cellular and the lenders named therein, Toronto Dominion (Texas) LLC as Administrative Agent, Toronto Dominion (New York) LLC as Swing Line Lender, The Toronto Dominion Bank, New York Branch as Letter of Credit Issuer, TD Securities (USA) LLC, Wachovia Capital Markets, LLC and CoBank, ACB as Co-Lead Arrangers and Joint Book Managers, Wells Fargo Bank, N.A. as Syndication Agent, and Bank of America, N.A., SunTrust Bank and CoBank ACB as Co-Documentation Agents, is hereby incorporated by reference to Exhibit 4.1 to U.S. Cellular's Current Report on Form 8-K dated June 30, 2009.

4.5(b)	First Amendment to Revolving Credit Agreement among U.S. Cellular and the lenders named therein is incorporated by reference to Exhibit 4.3(b) to U.S. Cellular’s Annual Report on Form 10-K for 2009.
4.6(a)	Indenture dated June 1, 2002 between U.S. Cellular and BNY Midwest Trust Company of New York is hereby incorporated by reference to Exhibit 4.1 to Form S-3 (File No. 333-88344).
4.6(b)	Form of Third Supplemental Indenture dated as of December 3, 2003 between U.S. Cellular and BNY Midwest Trust Company, relating to $444,000,000 of U.S. Cellular’s 6.70% Senior Notes due 2033, is hereby incorporated by reference to Exhibit 4.1 to U.S. Cellular’s Current Report on Form 8-K dated December 3, 2003.
4.6(c)	Form of Fourth Supplemental Indenture dated as of June 9, 2004 between U.S. Cellular and BNY Midwest Trust Company, relating to $330,000,000 of U.S. Cellular’s 7.50% Senior Notes due 2034, is hereby incorporated by reference to Exhibit 4.1 to U.S. Cellular’s Current Report on Form 8-K dated June 9, 2004.
4.6(d)	Form of Fifth Supplemental Indenture dated as of June 21, 2004 between U.S. Cellular and BNY Midwest Trust Company, relating to $100,000,000 of U.S. Cellular’s 6.70% Senior Notes due 2033, is hereby incorporated by reference to Exhibit 4.1 to U.S. Cellular’s Current Report on Form 8-K dated June 21, 2004.
9.1	Amendment and Restatement (dated April 22, 2005) of Voting Trust Agreement dated June 30, 1989 is hereby incorporated by reference to the Exhibit filed on Amendment No. 3 to Schedule 13D dated May 2, 2005 filed by the trustees of such voting trust with respect to TDS Common Shares.
10.1(a)*	Salary Continuation Agreement for LeRoy T. Carlson dated May 20, 1977, as amended May 22, 1981 and May 25, 1984, is hereby incorporated by reference to TDS’ Registration Statement on Form S-2, No. 2-92307.
10.1(b)*	Amendment to Salary Continuation Agreement for LeRoy T. Carlson is hereby incorporated by reference to Exhibit 10.4 to TDS’ Current Report on Form 8-K dated November 25, 2008.
10.2(a)*	Supplemental Benefit Agreement for LeRoy T. Carlson dated March 21, 1980, as amended March 20, 1981, is hereby incorporated by reference to an exhibit to TDS’ Registration Statement on Form S-7, No. 2-74615.
10.2(b)*	Memorandum of Amendment to Supplemental Benefit Agreement dated May 28, 1991 is hereby incorporated by reference to Exhibit 10.2(b) to TDS’ Annual Report on Form 10-K for the year ended December 31, 1991.
10.3(a)*	TDS Amended and Restated 2004 Long-Term Incentive Plan is hereby incorporated by reference to Exhibit 10.1 to TDS’ Current Report on Form 8-K dated April 11, 2005.
10.3(b)*	First Amendment to TDS Amended and Restated 2004 Long-Term Incentive Plan is hereby incorporated by reference to Exhibit 10.3 to TDS’ Current Report on Form 8-K dated December 10, 2007.
10.3(c)*	Second Amendment to TDS Amended and Restated 2004 Long-Term Incentive Plan is hereby incorporated by reference to Exhibit 10.4 to TDS’ Current Report on Form 8-K dated December 10, 2007.
10.3(d)*	Third Amendment to TDS Amended and Restated 2004 Long-Term Incentive Plan is hereby incorporated by reference to Exhibit 10.1 to TDS’ Current Report on Form 8-K dated December 22, 2008.
10.4*	TDS Supplemental Executive Retirement Plan, as amended and restated, effective January 1, 2009 is hereby incorporated by reference to Exhibit 10.1 to TDS’ Current Report on Form 8-K dated August 27, 2008.
10.5*	TDS 2009 Employee Stock Purchase Plan is hereby incorporated by reference to Exhibit A to TDS’ Notice of Annual Meeting of Shareholders and Proxy Statement dated April 15, 2008.

10.6*	TDS Compensation Plan for Non-Employee Directors, as amended January 20, 2009, is hereby incorporated by reference to Exhibit A to TDS' Notice of Annual Meeting of Shareholders and Proxy Statement dated April 28, 2009.
10.7*	TDS Bonus Deferral and Stock Unit Match Program and Election Form is hereby incorporated by reference to Exhibit 10.5 to TDS' Current Report on Form 8-K dated December 22, 2008.
10.8*	U.S. Cellular 2005 Long-Term Incentive Plan, as amended, is hereby incorporated by reference to Exhibit C to U.S. Cellular's Notice of Annual Meeting of Shareholders and Proxy Statement dated April 15, 2009.
10.9(a)*	U.S. Cellular Executive Deferred Compensation Interest Account Plan is hereby incorporated by reference to Exhibit 10.1 to U.S. Cellular's Current Report on Form 8-K dated December 10, 2007.
10.9(b)*	First Amendment to U.S. Cellular Executive Deferred Compensation Interest Account Plan is hereby incorporated by reference to Exhibit 10.6 to U.S. Cellular's Current Report on Form 8-K dated December 9, 2008.
10.9(c)*	Election Form for U.S. Cellular Executive Deferred Compensation Interest Account Plan is hereby incorporated by reference to Exhibit 10.2 to U.S. Cellular's Current Report on Form 8-K dated December 10, 2007.
10.10*	Form of U.S. Cellular Executive Deferred Compensation Agreement - Phantom Stock Account for Deferred Bonus is hereby incorporated by reference to Exhibit 10.7 to U.S. Cellular's Current Report on Form 8-K dated December 9, 2008.
10.11*	U.S. Cellular 2009 Employee Stock Purchase Plan is hereby incorporated by reference to Exhibit B to U.S. Cellular's Notice of Annual Meeting of Shareholders and Proxy Statement dated April 15, 2008.
10.12*	Form of U.S. Cellular's 2005 Long-Term Incentive Plan Stock Option Award Agreement for John E. Rooney is hereby incorporated by reference to Exhibit 10.2 to U.S. Cellular's Current Report on Form 8-K dated December 9, 2008.
10.13*	Form of U.S. Cellular's 2005 Long-Term Incentive Plan Restricted Stock Unit Award Agreement for John E. Rooney is hereby incorporated by reference to Exhibit 10.4 to U.S. Cellular's Current Report on Form 8-K dated December 9, 2008.
10.14*	Amended and Restated Guidelines for the Determination of Annual Bonus for President and Executive Officer of U.S. Cellular are hereby incorporated by reference to Exhibit 10.2 to U.S. Cellular's Current Report on Form 8-K dated November 18, 2009.
10.15*	Form of TDS Corporate Officer Long Term Incentive Plan Stock Option Award Agreement is hereby incorporated by reference to Exhibit 10.1 to TDS' Current Report on Form 8-K dated November 19, 2008.
10.16(a)*	Retention Agreement between TDS and Kenneth R. Meyers dated December 4, 2006, is hereby incorporated by reference to Exhibit 99.3 to TDS' Current Report on Form 8-K dated November 30, 2006.
10.16(b)*	Amendment to Retention Agreement between TDS and Kenneth R. Meyers is hereby incorporated by reference to Exhibit 10.3 to TDS Current Report on Form 8-K dated December 22, 2008.
10.17(a)*	TDS 2007 Deferred Compensation Agreement between TDS and Kenneth R. Meyers dated December 26, 2006 is hereby incorporated by reference to Exhibit 99.1 to TDS' Current Report on Form 8-K dated January 1, 2007.
10.17(b)*	Amendment to TDS 2007 Deferred Compensation Agreement between TDS and Kenneth R. Meyers is hereby incorporated by reference to Exhibit 10.4 to TDS Current Report on Form 8-K dated December 22, 2008.

10.18*	Form of TDS Corporate Officer Long Term Incentive Plan Restricted Stock Unit Award Agreement is hereby incorporated by reference to Exhibit 10.2 to TDS' Current Report on Form 8-K dated December 22, 2008.
10.19*	Terms of Letter Agreement between U.S. Cellular and John E. Rooney dated March 28, 2000 is hereby incorporated by reference to Exhibit 10 to U.S. Cellular's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000.
10.20*	Amended and Restated Guidelines and Procedures for TDS Officer Bonuses are hereby incorporated by reference to Exhibit 10.3 to TDS' Current Report on Form 8-K dated November 18, 2009.
10.21*	Amended and Restated Guidelines for the Determination of Annual Bonus for President and Chief Executive Officer of TDS is hereby incorporated by reference to Exhibit 10.1 to TDS' Current Report on Form 8-K dated November 18, 2009.
10.22*	Amended and Restated Guidelines for the Determination of Annual Bonus for Chairman Emeritus of TDS is hereby incorporated by reference to Exhibit 10.2 to TDS' Current Report on Form 8-K dated November 18, 2009.
10.23*	Settlement Agreement dated April 24, 2009 between TDS and GAMCO, is hereby incorporated by reference to exhibit 10.1 to TDS' Current Report on Form 8-K dated April 24, 2009.
10.25*	Form of TDS Deferred Compensation Agreement is hereby incorporated by reference to Exhibit 10.1 to TDS' Current Report on Form 8-K dated December 21, 2009.
10.26*	Change of Election Form for TDS Deferred Compensation Agreement is hereby incorporated by reference to Exhibit 10.2 to TDS' Current Report on Form 8-K dated December 21, 2009.
10.27*	Amended and Restated Guidelines for the Determination of Annual Bonus for President and Chief Executive Officer of TDS Telecommunications Corporation.
10.28*	Pre 2005 Form of Deferred Compensation Agreement used by TDS Telecommunications Corporation.
10.29*	Post 2004 TDS Telecommunications Corporation Executive Deferred Compensation Program, as amended and restated effective January 1, 2008.
10.30*	First Amendment to TDS Telecommunications Corporation Executive Deferred Compensation Program dated October 8, 2008.
10.31*	Current Initial Election Form and Post 2004 Payment Election Form for TDS Telecommunications Corporation Executive Deferred Compensation Program.
10.32*	Current Annual Election Form for TDS Telecommunications Corporation Executive Deferred Compensation Program.
11	Statement regarding computation of earnings per share (included in Note 7 — Earnings Per Share in the Notes to Consolidated Financial Statements in Exhibit 13).
12	Statement regarding computation of ratio of earnings to fixed charges for the years ended December 31, 2009, 2008, 2007, 2006 and 2005.
13	Incorporated portions of 2009 Annual Report to Shareholders.
18	Preferability letter from Independent Registered Public Accounting Firm, is hereby incorporated by reference from Exhibit 18 to TDS' Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.

21	Subsidiaries of TDS.
23.1	Consent of Independent Registered Public Accounting Firm—PricewaterhouseCoopers LLP.
23.2	Consent of Independent Registered Public Accounting Firm—Deloitte & Touche LLP.
31.1	Chief Executive Officer certification pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.
31.2	Chief Financial Officer certification pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.
32.1	Chief Executive Officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Chief Financial Officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

*Indicates a management contract or compensatory plan or arrangement.

EXHIBIT 10.27

TDS TELECOMMUNICATIONS CORPORATION

GUIDELINES FOR THE DETERMINATION OF ANNUAL BONUS FOR PRESIDENT AND CHIEF EXECUTIVE OFFICER (As Amended and Restated Effective for Performance Years Commencing On or After January 1, 2009)

I. PURPOSE

- To provide incentive for the President and Chief Executive Officer (the "President") of TDS Telecommunications Corporation (the "Company") to extend his best efforts toward achieving superior results with respect to Company performance;
- To reward the President in relation to his success in meeting and exceeding performance targets and otherwise contributing to the success of the Company; and
- To help the Company retain the President, a talented leader in a position of critical importance to the success of the Company.

II. BONUS AMOUNT

The Chairman of the Company (the "Chairman") and the Compensation Committee of the Board of Directors of the Company's parent, Telephone and Data Systems, Inc. (the "Committee") in their sole discretion determine whether an annual bonus will be payable to the President for a performance year and, if so, the amount of such bonus. Factors that may be considered by the Chairman and Committee in making such determination include the following:

- the level of achievement of the Company, on a short-term and long-term basis, measured against performance objectives and compared with that of peer companies;
- the President's individual performance, on a short-term and long-term basis, with respect to his leadership of the Company, the development and maintenance of effective working relationships across the enterprise, his stated personal objectives and his other duties and responsibilities;
- the total cash compensation paid to chief executive officers of peer companies, including those which are divisions or subsidiaries of parent companies; and
- other factors that the Chairman and Committee in the exercise of their judgment and discretion determine relevant.

No single factor shall be determinative and no factor shall be applied mechanically to calculate any portion of the President's bonus. The entire amount of the bonus is discretionary. The President shall have no right or expectation with respect to any bonus and no bonus shall vest until the date the bonus is paid. To the extent and only to the extent that any bonus is paid for a performance year, such bonus shall be deemed to have been earned on December 31 of that performance year.

III. BONUS PAYMENT

Any bonus awarded with respect to a performance year shall be paid during the period commencing on the January 1 immediately following the performance year and ending on the March 15 immediately following the performance year. Notwithstanding the foregoing, in the event that payment by such March 15th is administratively impracticable and such impracticability was unforeseeable (in each case, such that the payment continues to qualify as a "short-term deferral" within the meaning of section 409A of the Internal Revenue Code), payment will be made as soon as administratively practicable after such March 15th, but in no event later than the December 31 immediately following the performance year. Payment will be in the form of a lump sum.

Notwithstanding any provision of these guidelines to the contrary, the President does not have a legally binding right to a bonus unless and until the bonus amount, if any, is paid.

IV. AMENDMENT AUTHORITY

The Chairman and Committee reserve the right to amend the guidelines set forth herein at any time for any reason.

APPROVED by the CHAIRMAN of TDS TELECOMMUNICATIONS CORPORATION and the TELEPHONE AND DATA SYSTEMS, INC. COMPENSATION COMMITTEE on this day of , 2009.

Chairman of TDS Telecommunications Corporation:

LeRoy T. Carlson, Jr.

Telephone and Data Systems, Inc. Compensation Committee:

George W. Off

Christopher D. O'Leary

Herbert S. Wander

EXECUTIVE DEFERRED COMPENSATION AGREEMENT

THIS AGREEMENT, entered into this the **first day of January,** , by and between , (hereinafter referred to as “Executive”) and TDS Telecommunications Corporation, (hereinafter referred to as “Company”), a Delaware corporation, located at 525 Junction Road, Madison, WI, 53717.

W I T N E S S E T H:

WHEREAS, the Executive is now and will in the future be rendering valuable services to the Company, and the Company desires to assure the continued loyalty, service and counsel of the Executive; and

WHEREAS, the Executive desires to defer a portion of his or her salary until retirement, resignation, disability or death, or to a specific date greater than one year from the date of this agreement.

NOW, THEREFORE, in consideration of the covenants and agreements herein set forth, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto covenant and agree as follows:

1. <u>Deferred Compensation Agreement.</u> The Company agrees to establish and maintain a book reserve (the “Deferred Compensation Account”) for the purpose of measuring the amount of deferred compensation payable under this Agreement. Credits shall be made to the Deferred Compensation Account as follows:

(a) On each issuance of the Executive’s biweekly payroll check, during the Executive’s continued active employment with the Company, there shall be deducted an amount equivalent to percent of the Executive’s gross compensation for the pay period which will be credited to the Deferred Compensation Account. The first deduction will occur on the Executive’s biweekly payroll check dated **January 14,** .

(b) Commencing on **January 31,** , and on the last day of each month thereafter during the Executive’s continued employment with the Company, there shall be credited to the Deferred Compensation Account (before any amount is credited for the month then ending pursuant to paragraph 1(a), interest compounded monthly computed at a rate equal to one-twelfth (1/12) of the average thirty (30) year Treasury Bond rate of interest (as published in the Wall Street Journal for the last day of the preceding month) plus 1.25 percentage points. Semi-annual reports which specify the amount credited to the Executive’s Deferred Compensation Account during the previous period (amount deferred plus interest) and the then current balance, shall be provided to the Executive.

(c) The Deferred Compensation percentage elected in section 1(a) shall be deducted and credited to the Deferred Compensation Account for all compensation paid to the Executive, including bonus and retroactive pay increases.

(d) The Executive may terminate participation in the Agreement with respect to the deferral of future compensation at any time. In the event the Executive elects to make such a discontinuance, he or she shall remain eligible to receive the benefits under Section 2 with respect to amounts already deferred. Previously deferred amounts are not payable until retirement, resignation, disability or death. After a discontinuance, Executive may not again elect to participate with respect to future deferrals until a subsequent calendar year.

(e) The Deferred Compensation percentage selected in 1(a) shall be in effect for the entire calendar plan year unless participation is terminated. The Executive may not elect to change the percentage until a new plan year commences.

2. Payment of Deferred Compensation.

(a) In the event the Executive terminates his/her employment for whatever reason, the Company must compute the "Ending Balance" in the Deferred Compensation Account. This Ending Balance shall include all deferrals and interest as of the last day of the preceding month, and any deferrals made in the current month. Payment of deferred compensation under this event will be in accordance with the Executive's payment method election in paragraph 2(e).

(b) The Executive must elect the payment method for receiving his/her Ending Balance either in a lump sum or in an indicated number of installments. This determination must be made at the time of execution of the agreement in Section 2(e) and will apply to all deferrals. Any amendment changing the installment method of payment must be made at least one (1) year prior to the termination of employment to be considered effective.

(c) In the event the Executive chooses the installment option, the Executive must inform the Company of the number of installments he or she wishes to receive. The installments will be paid quarterly (not to exceed 20 quarters) commencing with the fifteenth day of the quarter following the quarter in which the Executive's service with the Company terminates. Installments will then be paid on the fifteenth day of each succeeding calendar quarter until the Ending Balance and all accrued interest, which includes interest earned during the installment period, has been paid. If the Executive chooses the lump sum option, such sum must be paid within forty-five (45) days after the Executive's service with the Company terminates.

(d) If the Executive dies prior to the total distribution of the Ending Balance, the Company shall pay an amount equal to the then current balance including accrued interest in the Deferred Compensation Account, in a lump sum within forty-five (45) days following the Executive's death to the Executive's Designated Beneficiary (as hereinafter defined). However, if the Executive is married at the time of death, the Executive may designate (at the time of entering this Agreement or upon a subsequent marriage) that the payments specified in 2(c) shall continue to the spouse. If such spouse dies before all payments are made, the procedures in 3(a) and 3(b) shall apply.

(e) Payment of Deferred Compensation Election (choose one option):

i) Lump sum distribution; or

ii) Installment method. The amount of each installment shall be equal to one- (cannot be less than one-twentieth) of the Ending Balance plus accrued interest compounded monthly for the preceding calendar quarter.

If the Executive does not fully complete the blanks shown in paragraph 2(e), Executive will receive the lump sum option.

(f) The Executive must elect the deferral date for receiving his/her Ending Balance. This date is to be either retirement, or a specific date greater than one year from the date of this agreement. This determination must be made at the time of execution of the agreement in Section 2(g) and will apply to all deferrals.

(g) Election of Deferral Date (choose one option):

i) Retirement; or

ii) Specific Date: (must be greater than one year from the date of this agreement)

If the executive does not fully complete the blanks shown in paragraph 2(g), Executive will receive the retirement deferral option.

(h) If for any reason, all or any portion of an Executive's balance under this plan becomes taxable to the Executive prior to receipt, an Executive may make a request to the Company for a distribution of that portion of his or her balance that has become taxable. In the event the Company approves the payment of withdrawal, such payment shall be made by the Company to the Executive in a lump sum within 45 days after approval of such a request.

3. Designation of Beneficiaries.

(a) The Executive may designate a beneficiary to receive any amount payable pursuant to paragraph 2(d) (the "Designated Beneficiary") by executing or filing with the Company during his/her lifetime, a Beneficiary Designation in the form attached hereto. The Executive may change or revoke any such designation by executing and filing with the Company during his/her lifetime a new Beneficiary Designation. If the Executive is married and names someone other than his/her spouse (e.g., child) as beneficiary, the spouse must consent by signing the designated area of the Beneficiary Designation form in the presence of a Notary Public.

(b) If any Designated Beneficiary predeceases the Executive, or if any corporation, partnership, trust or other entity which is a Designated Beneficiary is terminated, dissolved, becomes insolvent, is adjudicated bankrupt prior to the date of the Executive's death, or if the Executive fails to designate a beneficiary, then the following persons in the order set forth below shall receive the entire amount specified in paragraph 2(c) above, which the previous Designated Beneficiary would have been entitled to receive:

i) Executive's spouse, if living; otherwise
ii) Executive's then living descendants, per stirpes; and otherwise;
iii) Executive's estate

4. Miscellaneous.

(a) The right of the Executive or any other person to any payment of benefits under this Agreement may not be assigned, transferred, pledged or encumbered.

(b) If the Company finds that any person to whom any amount is payable under this Agreement is unable to care for his/her affairs because of illness or accident, or is under any legal disability which prevents the Executive from caring for his or her affairs, any payment due (unless a prior claim therefor shall have been made by a duly appointed guardian, committee or other legal representative) may be made to the spouse, a child, a parent, or a brother or sister of such person, or to any party deemed by the Company to have incurred expenses for such person otherwise entitled to payment, in such manner and proportions as the Company may determine. Any such lump sum payment, as discussed in 2(d), shall be a complete discharge of the liability of the Company under this Agreement for such payment.

(c) This Agreement shall be construed in accordance with and governed by the laws of the State of Wisconsin.

(d) The Executive is a general unsecured creditor of the Company with regard to the deferred compensation amounts to which this Agreement pertains and no assets will be set aside to secure payment of any amounts due under this Agreement.

(e) The deferred amounts under this Agreement are unfunded for tax and ERISA purposes.

(f) The Company must deduct from all payments made hereunder all applicable federal or state taxes required to be withheld from such payments.

(g) This Agreement contains the entire understanding of the Company and the Executive with respect to the subject matter hereof.

(8) In the event any provision of this Agreement is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement must be construed and enforced as if the illegal or invalid provision had not been included.

(i) The Company may, at its sole discretion, amend or terminate the Plan at any time.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written**.**

TDS TELECOMMUNICATIONS CORPORATION
("COMPANY"):

By: ______________________________

EXECUTIVE:

By: ______________________________

ATTEST:

____

____

Exhibit 10.29

TDS TELECOMMUNICATIONS CORPORATION

EXECUTIVE DEFERRED COMPENSATION PROGRAM

(Amended and Restated Effective January 1, 2008)

TDS TELECOMMUNICATIONS CORPORATION
EXECUTIVE DEFERRED COMPENSATION PROGRAM
(Amended and Restated Effective January 1, 2008)

ARTICLE 1

Introduction

Section 1.1. **Title**. The title of this Plan shall be the "TDS Telecommunications Corporation Executive Deferred Compensation Program."

Section 1.2. **Purpose**. This Plan shall constitute an unfunded nonqualified deferred compensation arrangement established for the purpose of providing deferred compensation for a select group of management or highly compensated employees (within the meaning of Title I of ERISA) of the Employers.

Section 1.3. **Effective Date**. This amended and restated Plan is effective January 1, 2008 and shall govern deferrals of compensation for services performed in calendar years commencing on or after January 1, 2005 (and interest credited to such deferrals). All deferrals of compensation under the Plan for services performed in calendar years prior to January 1, 2005 and all interest credited to such deferrals at any time (prior to and after January 1, 2005) shall be governed by the applicable deferred compensation agreements setting forth the terms and conditions of the Plan prior to January 1, 2005 and shall not be subject to the terms of this amended and restated plan document.

ARTICLE 2

Definitions

"Affiliate" means (i) a corporation that is a member of the same controlled group of corporations (within the meaning of section 414(b) of the Code and accompanying regulations) as an Employer or (ii) a trade or business (whether or not incorporated) under common control (within the meaning of section 414(c) of the Code and accompanying regulations) with an Employer.

"Base Salary" means the total wages paid by an Employer to a Participant properly reportable on Form W-2 as subject to income tax withholding for services to be performed during the Plan Year for which the Participant is submitting an Election Form, increased by amounts that would have been so paid and reported but for the Participant's election to have his or her compensation reduced pursuant to this Plan, a qualified cash or deferred arrangement described in Section 401(k) of the Code, a cafeteria plan described in Section 125 of the Code or an arrangement providing qualified transportation fringes described in Section 132(f) of the Code, and excluding all bonuses, commissions, overtime, fringe benefits (cash and noncash), stock options, relocation expenses, incentive payments, nonqualified deferred compensation payments, non-monetary awards, moving expense and other reimbursements, welfare benefits, severance and automobile and other allowances.

"Bonus" means any annual Team Performance Award paid to a Participant for services to be performed during the Plan Year for which the Participant is submitting an Election Form.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

"Commissions" means any incentive or other payment to the Participant not included in Base Salary or Bonus that is an ongoing part of the Participant's cash compensation, based on performance or sales or another similar measure.

"Committee" means the committee consisting two or more individuals appointed by the Vice President-Human Resources of the Company for assuming the responsibilities and duties specifically delegated in this Plan. References herein to the Committee also shall include any person or committee to whom the Committee has delegated any of its responsibilities hereunder to the extent of the delegation.

"Company" means TDS Telecommunications Corporation, a Delaware corporation, or any successor thereto.

"Deferred Compensation" means the amount of Base Salary, Bonus and Commissions that a Participant elects to defer pursuant to Section 3.2.

"Deferred Compensation Account" means the bookkeeping account maintained by the Company for each Participant to which shall be credited (i) the Participant's Deferred Compensation and (ii) any interest credited pursuant to Section 4.2.

"Designated Beneficiary" means the Participant's beneficiary designated pursuant to Section 5.7.

"Disabled" or "Disability" means that a Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant's employer.

"Election Form" means the form prescribed by the Committee which is completed by the Participant pursuant to Sections 3.2 and 3.3. For the 2005, 2006 and 2007 Plan Years, the Election Form was in the form of the Executive Deferred Compensation Agreement. References herein to the Election Form shall include any revisions to the payment provisions of the Election Form made pursuant to Section 3.3(b) or 5.6.

"Elective Account Balance Plan" means an "account balance plan" within the meaning of Treasury Regulation §1.409A-1(c)(2)(i)(A) maintained by the Employers or any of their Affiliates pursuant to which an individual may elect to defer compensation. For this purpose, an Elective Account Balance Plan shall include, without limitation, (i) this Plan and (ii) the interest-bearing and phantom stock deferral arrangements maintained by Telephone and Data Systems, Inc. and United States Cellular Corporation.

"Eligible Employee" means an employee of an Employer who is eligible to participate in the Plan pursuant to Section 3.1.

"Employer" means the Company and each of its Affiliates that with the consent of the Company elects to participate in the Plan.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

"Newly Eligible Employee" means an individual who (i) newly is eligible to participate in this Plan and (ii) was not, at any time during the 24-month period ending on the date on which he or she became eligible to participate in this Plan, eligible to participate in any Elective Account Balance Plan (irrespective of whether such individual in fact elected to participate in such plan). For this purpose, an individual is not eligible to participate in an Elective Account Balance Plan solely on account of the accrual of interest or earnings on amounts previously deferred thereunder.

"Participant" means any Eligible Employee who participates in the Plan pursuant to Article 3.

"Payment Date" means the date elected by the Participant pursuant to Section 3.3, subject to any subsequent election pursuant to Section 5.6, on which the Participant's Deferred Compensation Account becomes payable.

"Plan" means this "TDS Telecommunications Corporation Executive Deferred Compensation Program," as amended from time to time.

"Plan Year" means the calendar year.

"Separation from Service" means a termination of employment with the Employers and their affiliates within the meaning of Treasury Regulation §1.409A-1(h) (without regard to any permissible alternative definition thereunder). Notwithstanding any other provision herein, "affiliate" for purposes of determining whether a Participant has incurred a "Separation from Service" shall be defined to include all entities that would be treated as part of the group of entities comprising the Employers under sections 414(b) and (c) of the Code and accompanying regulations, but substituting a 50% ownership level for the 80% ownership level set forth therein.

"Unforeseeable Emergency" means (i) a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's Designated Beneficiary or the Participant's dependent (as defined in Section 152 of the Code without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)), (ii) the loss of a Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, irrespective of whether caused by a natural disaster) or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Examples of what may be considered to be Unforeseeable Emergencies include (a) the imminent foreclosure of or eviction from the Participant's primary residence, (b) the need to pay for medical expenses, including non-refundable deductibles and the cost of prescription drug medication and (c) the need to pay for funeral expenses of a Participant's spouse, Designated Beneficiary or dependent.

"VP-HR" means the Vice President of Human Resources for the Company.

ARTICLE 3

Participation

Section 3.1. **Eligibility**. An employee of an Employer shall be eligible to participate in the Plan for a Plan Year if such employee is (i) an officer of an Employer or occupies a position with an Employer in salary grade 8E (or any grade equivalent to salary grade 8E (i.e., ATT)) or higher and (ii) is notified by the Committee in writing or by electronic means that he or she is eligible to participate in the Plan for such Plan Year (an "Eligible Employee"). Only those employees of an Employer who are in a select group of management or highly compensated (within the meaning of Title I of ERISA) may be designated by the Committee as eligible to participate in this Plan.

Section 3.2. **Participation**. (a) In General. Each Eligible Employee may participate in the Plan for a Plan Year by submitting to the Committee, at the time and in the manner prescribed by the Committee, an Election Form, and by specifying in such Election Form the percentage of Base Salary, Bonus and Commissions otherwise payable to the Eligible Employee by an Employer for services to be performed in such Plan Year to be deducted from the Eligible Employee's compensation and deferred hereunder for payment at a later date. Elections shall be made prior to the beginning of the Plan Year with respect to which Base Salary, Bonus and Commissions are earned. Except as provided in Section 5.5, the deferred compensation percentage selected in the Election Form shall be in effect for the entire Plan Year and may not be changed or revoked during such Plan Year. In order to participate in the Plan for any subsequent Plan Year, an Eligible Employee must submit a new Election Form within the designated election period prior to the commencement of the Plan Year.

(b) Special Rules for Newly Eligible Employees. Notwithstanding the provisions of Section 3.2(a), a Newly Eligible Employee may participate in the Plan during the Plan Year of his or her initial eligibility by submitting an Election Form within 30 days after the date he or she becomes eligible to Participate in the Plan. Such election shall apply only to compensation paid for services to be performed subsequent to the election. For purposes of satisfying this requirement, any election to defer a Bonus payable for services to be performed in such Plan Year shall apply solely to that portion of the Bonus equal to the total Bonus multiplied by the ratio of the number of days remaining in the annual performance period subsequent to the election over the total number of days in the performance period.

Section 3.3. **Election of Payment Date and Form of Payment**. (a) In general. As a part of the first Election Form submitted to the Committee by a Participant pursuant to Section 3.2 to defer compensation for the Participant's first year of participation in the Plan, such Participant shall elect a Payment Date and a form of payment for the Participant's Deferred Compensation Account. The Participant may elect as a Payment Date either (i) the seventh month following the date of the Participant's Separation from Service or (ii) any specified date which is one or more years after the first day of the Plan Year for which the deferral election is effective. The Participant shall elect as a form of payment for receiving his or her Deferred Compensation Account either (a) a lump sum, (b) annual installments or (c) quarterly installments. If the Participant elects the installment payment method, the Participant must designate in the Election Form the number of installment payments he or she wishes to receive, which cannot exceed 5 annual payments or 20 quarterly payments. In the event that a Participant fails to make a timely election as to the Payment Date or form of payment for the Participant's Deferred Compensation Account, the Participant shall be deemed to have elected payment during the seventh month following the date of the Participant's Separation from Service in the form of a lump sum.

(b) Special Transition Election. Notwithstanding the foregoing, Section 5.6 or any other provision of the Plan to the contrary, any Participant who commenced participation in the Plan prior to January 1, 2008 shall be permitted to make a new election in 2007 to change the Payment Date and form of payment of his Deferred Compensation Account in accordance with this Section 3.3, subject to the rules and procedures established by the Committee and all requirements of Section 409A of the Code and U.S. Treasury Department guidance provided thereunder.

ARTICLE 4

Accounts

Section 4.1. **Deferred Compensation Account**. The Company shall establish and maintain a Deferred Compensation Account for each Participant who elects Deferred Compensation under Article 3. The Participant's Deferred Compensation Account shall be a bookkeeping account maintained by the Company and shall reflect the amount of the Deferred Compensation and interest thereon credited hereunder on behalf of the Participant. The Company shall credit Deferred Compensation to a Participant's Deferred Compensation Account as of the date of the scheduled payment of such compensation.

Section 4.2. **Crediting of Interest**. On the last day of each month until all of a Participant's Deferred Compensation Account has been paid, there shall be credited to the balance of such Deferred Compensation Account interest compounded monthly computed at a rate equal to one-twelfth (1/12) of the sum of (i) the average thirty (30) year Treasury Bond rate of interest (as published in the Wall Street Journal for the last business day of such month) plus (ii) 1.25 percentage point. Crediting of interest to a Deferred Compensation Account shall be based on the average of the account balance on the first and last day of each month after any Deferred Compensation is credited for the month then ending pursuant to Section 4.1.

ARTICLE 5

Payment of Deferred Compensation

Section 5.1. **Normal Payment**. A Participant's Deferred Compensation Account shall become payable to the Participant as of the Payment Date elected by the Participant. Payment shall be made either in a lump sum or installments, as elected by the Participant on the Election Form, in accordance with the payment schedule described in Section 5.4.

Section 5.2. **Distribution Upon Disability**. If a Participant becomes Disabled prior to the commencement of the payment of his or her Deferred Compensation Account, the Participant's Deferred Compensation Account immediately shall become payable to the Participant (irrespective of the Payment Date elected by the Participant). Payment shall be made either in a lump sum or installments, as elected by the Participant on the Election Form, in accordance with the payment schedule described in Section 5.4.

Section 5.3. **Distribution at Death**. If a Participant dies prior to the total distribution of his or her Deferred Compensation Account, the Participant's unpaid account immediately shall become payable in full to the Participant's Designated Beneficiary. Payment shall be made in a lump sum at the time determined by the Company within sixty (60) days following the Participant's death. This Section 5.3 shall apply notwithstanding any elections to the contrary made by a Participant on the Participant's Election Forms for the 2005, 2006 and 2007 Plan Years.

Section 5.4. **Timing of Distribution Upon Occurrence of Distribution Event**. If a Participant elected distribution of his or her Deferred Compensation Account in the form of a lump sum or a Participant's Deferred Compensation Account becomes payable in a lump sum as a result of the Participant's death, the Deferred Compensation Account shall be paid at the time determined by the Company within sixty (60) days after the occurrence of the event causing such account to be payable (the Payment Date, the date of the Participant's Disability or the date of the Participant's death, as applicable). If a Participant elected distribution of his or her Deferred Compensation Account in the form of installments, the Deferred Compensation Account shall be paid annually or quarterly, as elected by the Participant, in the case of annual installments commencing on or before the sixtieth day following the occurrence of the event causing such account to be payable, and in the case of quarterly installments commencing on the fifteenth day of the first month of the calendar quarter following the occurrence of such event. Subsequent installments shall be paid on the annual anniversary of the date the initial installment was paid or on the fifteenth day of the first month of each succeeding calendar quarter, as applicable, until the entire Deferred Compensation Account (which includes interest earned during the installment period) has been paid. For purposes of Section 409A of the Code, the entitlement to a series of installment payments shall be treated as the entitlement to a single payment as of the date the first installment is scheduled to be paid.

Section 5.5. **Withdrawals for an Unforeseeable Emergency**. Upon written request by a Participant whom the Committee determines has suffered an Unforeseeable Emergency, the Committee may, in its sole discretion, direct payment to the Participant of all or any portion of the Participant's Deferred Compensation Account. The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case, but, in any case, payment may not exceed an amount reasonably necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes or penalties reasonably anticipated as a result of such payment after taking into account the extent to which such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship or (iii) by cessation of deferrals hereunder or under any other Elective Account Balance Plan. In the event the Committee approves a withdrawal due to an Unforeseeable Emergency, (a) payment shall be made by the Company to the Participant in a lump sum within sixty (60) days after approval of such request and (b) any deferral election under this Plan or any other Elective Account Balance Plan made with respect to the Plan Year during which the withdrawal occurs shall be cancelled for the remainder of the Plan Year.

Section 5.6. **Subsequent Election**. Each Participant may make a subsequent election to delay the Payment Date or change the form of payment, provided that (i) such election shall not be effective until 12 months after the date on which the election is made; (ii) except in the case of payments on account of death, Disability or Unforeseeable Emergency, the payment with respect to such election must be deferred for a period of not less than five years from the date such payment otherwise would have been made (or, in the case of installment payments, five years from the date the first amount was scheduled to be paid); and (iii) such election cannot be made less than 12 months prior to the date of the scheduled payment (or, in the case of installment payments, 12 months prior to the date the first amount was scheduled to be paid). A subsequent election pursuant to this Section 5.6 shall be delivered to the Committee in the manner prescribed by the Committee and upon such delivery shall be irrevocable.

Section 5.7. **Designation of Beneficiaries**. Each Participant may name any one or more beneficiaries (who may be named concurrently, contingently or successively) to receive any remaining amounts payable pursuant to Section 5.3 upon the Participant's death (the "Designated Beneficiary") by executing a beneficiary designation form. The Participant may change or revoke any such designation by executing a new beneficiary designation form. A beneficiary designation form shall be in a form prescribed by the Committee and will be effective only when filed with the Committee during the Participant's lifetime. If the Participant is married and names someone other than his or her spouse as a primary beneficiary, the designation is invalid unless the spouse consents by signing the beneficiary designation form in the presence of a Notary Public. If all Designated Beneficiaries predecease the Participant or, in the case of corporations, partnerships, trusts or other entities which are Designated Beneficiaries, are terminated, dissolved, become insolvent or are adjudicated bankrupt prior to the date of the Participant's death, or if the Participant fails to designate a beneficiary, then the following persons in the order set forth shall be the Participant's Designated Beneficiaries: (i) the Participant's spouse, if living; or if none, (ii) the Participant's then living descendants, per stirpes; or if none, (iii) the Participant's estate.

ARTICLE 6

Administration

Section 6.1. **In General**. The Plan shall be administered by the Committee. The duties and authority of the Committee under the Plan shall include (i) the interpretation of the provisions of the Plan, (ii) the adoption of any rules and regulations which may become necessary or advisable in the operation of the Plan, (iii) the making, in its sole discretion, of such determinations as may be permitted or required pursuant to the Plan, and (iv) the taking of such other actions as may be required for the proper administration of the Plan in accordance with its terms. Any decision of the Committee with respect to any matter within the authority of the Committee shall be final, binding and conclusive upon the Company, each Participant, each Designated Beneficiary and any other person. Benefits under this Plan shall be paid only if the Committee decides, in its sole discretion, that the Participant, Designated Beneficiary or other person is entitled to them. Any action taken by the Committee with respect to any one or more Participants shall not be binding on the Committee as to any action to be taken with respect to any other Participant. A member of the Committee may be a Participant, but no member of the Committee may participate in any decision involving solely his or her rights or the computation of his or her benefits under the Plan. The members of the Committee may allocate their responsibilities and may designate any other person or committee, including employees of the Company, to carry out any of their responsibilities with respect to administration of the Plan.

Section 6.2. **Claims Procedure**. (a) Filing of Claim. If any Participant or Designated Beneficiary believes he or she is entitled to benefits under the Plan in an amount greater than those which he or she is receiving or has received, the Participant or Designated Beneficiary (or his or her duly authorized representative) may file a claim with the Committee. Such a claim shall be in writing and state the nature of the claim, the facts supporting the claim, the amount claimed and the address of the claimant.

(b) Initial Review of Claim. The Committee shall review the claim and, unless special circumstances require an extension of time, within 90 days after receipt of the claim give written or electronic notice to the claimant of his or her decision with respect to the claim. If special circumstances require an extension of time, the claimant shall be so advised in writing or by electronic means within the initial 90-day period and in no event shall such an extension exceed 90 days. The notice of the decision of the Committee with respect to the claim shall be written in a manner calculated to be understood by the claimant and, if the claim is wholly or partially denied, shall set forth the specific reasons for the denial, specific references to the pertinent Plan provisions on which the denial is based, a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and an explanation of the appeals procedure under the Plan and the time limits applicable to such procedure (including a statement of the claimant’s right to bring a civil action under Section 502(a) of ERISA following the final denial of a claim).

(c) Filing an Appeal of Claim Denial. The claimant (or his or her duly authorized representative) may request a review of the denial by filing with the VP-HR a written request for such review within 60 days after notice of the denial has been received by the claimant. Within the same 60-day period, the claimant may submit to the VP-HR written comments, documents, records and other information relating to the claim. Upon request and free of charge, the claimant also may have reasonable access to, and copies of, documents, records and other information relevant to the claim.

(d) Review of Claim Denial. If a request for review is so filed, review of the denial shall be made by the VP-HR and the claimant shall be given written or electronic notice of the VP-HR’s final decision within 60 days after receipt of such request, unless special circumstances require an extension of time. If special circumstances require an extension of time, the claimant shall be so advised in writing or by electronic means within the initial 60-day period and in no event shall such an extension exceed 60 days. If the appeal of the claim is wholly or partially denied, the notice of the VP-HR’s final decision shall include specific reasons for the decision, specific references to the pertinent Plan provisions on which the decision is based and a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all relevant documents, records and information. The notice shall be written in a manner calculated to be understood by the claimant and shall notify the claimant of his or her right to bring a civil action under Section 502(a) of ERISA.

(e) Claim for Disability Distribution. Notwithstanding the foregoing, a Participant’s claim that he or she is entitled to a distribution of the Participant’s Deferred Compensation Account pursuant to Section 5.2 due to the

Participant's Disability shall be processed in accordance with the provisions of Department of Labor Regulation §2560.503-1 regarding claims for disability benefits.

Section 6.3. **Immunity of Committee and VP-HR**. The members of the Committee and the VP-HR may rely upon any information, report or opinion supplied to them by a designated agent of an Employer or any legal counsel or independent public accountant, and shall be fully protected in relying upon any such information, report or opinion. The Employers hereby jointly and severally indemnify the members of the Committee and the VP-HR from the effects and consequences of their acts, omissions and conduct in their official capacity, except to the extent such effects and consequences result from their own willful misconduct or illegal acts.

ARTICLE 7

General Provisions

Section 7.1. **Base Salary Paid for Final Payroll Period**. For purposes of this Plan, Base Salary payable after the last day of a Plan Year solely for services performed during the final payroll period containing the last day of the Plan Year shall be treated as Base Salary for services performed in the Plan Year in which the payroll period commenced (as opposed to the subsequent Plan Year).

Section 7.2. **Leave of Absence**. For purposes of this Plan, a Participant shall not have a Separation from Service while the Participant is on a military leave, sick leave or other bona fide leave of absence (such as temporary employment by the government) if such leave does not exceed 6 months (or, if the leave exceeds 6 months, provided that the Participant's right to reemployment is protected either by statute or contract). If the Participant's leave exceeds 6 months and the right to reemployment is not protected by statute or contract, then the Participant shall be deemed to have Separated from Service for purposes of this Plan as of the first day immediately following the end of the six-month period.

Section 7.3. **Source of Payment**. Amounts paid under this Plan shall be paid from the general funds of the Employers, and each Participant shall be no more than an unsecured general creditor of his or her Employer with no right to any specific assets of the Employer (whose claim may be subordinated to those of other creditors of the Employer). Nothing contained in this Plan shall be deemed to create a trust of any kind for the benefit of any Participant, or create any fiduciary relationship between the Employers and any Participant with respect to any assets of the Employers.

Section 7.4. **Withholding**. Appropriate amounts shall be withheld from any distribution made under this Plan or from a Participant's compensation as may be required for purposes of complying with Federal, state, local or other tax withholding requirements applicable to the benefits provided under this Plan.

Section 7.5. **Assignment**. Except pursuant to will, the laws of descent or distribution or a beneficiary designation form effective on a Participant's death, the benefits provided under this Plan may not be alienated, assigned, transferred, pledged or hypothecated by the voluntary or involuntary act of any person, by operation of law, or otherwise. Any attempt to alienate, assign, transfer, pledge or hypothecate the benefits provided under this Plan shall be null and void and without legal effect. The benefits provided under this Plan shall be exempt from the claims of creditors or other claimants and from all orders, decree, levies, garnishments or executions.

Section 7.6. **Applicable Law**. This Plan shall be construed, administered and governed in all respects in accordance with the laws of the State of Wisconsin to the extent that the latter are not preempted by ERISA or other applicable federal law.

Section 7.7. **Plurals and Headings**. Wherever used herein, words in the singular form shall be construed as though they also were used in the plural form, and words in the plural form shall be construed as though they also were used in the singular form, where appropriate. Headings of sections and subsections of this Plan are inserted for convenience of reference only and are not part of this Plan and are not to be considered in the construction thereof.

Section 7.8. **Plan Not to Affect Employment Relationship**. Neither the adoption of this Plan nor its operation shall in any way affect the right and power of the Employers to dismiss or otherwise terminate the employment or change the terms of the employment or amount of compensation of any Participant at any time for any reason with or without cause.

Section 7.9. **Inability to Locate Participant or Designated Beneficiary**. If, as of the Latest Payment Date, the Committee is unable to make payment of all or a portion of a Participant's Deferred Compensation Account to such Participant or his or her Designated Beneficiary because the whereabouts of such person cannot be ascertained (notwithstanding the mailing of notice to any last known address or addresses and the exercise by the Committee of other reasonable diligence), then such Participant's Deferred Compensation Account, or portion thereof, as applicable, shall be forfeited. For this purpose, the "Latest Payment Date" shall be the latest date on which a Participant's Deferred Compensation Account, or portion thereof, as applicable, may be paid to the Participant or the Designated Beneficiary without the imposition of excise taxes and other penalties under section 409A of the Code ("409A Penalties")

Section 7.10. **Distributions to Minors and Incapacitated Individuals**. If a payment is to be made to a minor or to an individual who, in the opinion of the Committee, is unable to manage his or her affairs by reason of illness, accident or mental incompetency, such payment may be made to or for the benefit of any such individual in such of the following ways as the legal representative of such individual shall direct: (i) directly to any such minor individual, if in the opinion of such legal representative, such individual is able to manage his or her affairs, (ii) to such legal representative, (iii) to a custodian under a Uniform Gifts to Minors Act for any such minor individual, or (iv) to some near relative of any such individual to be used for the latter's benefit. Neither the Committee nor any Employer shall be required to see to the application by any third party other than the legal representative of an individual of any payment made to or for the benefit of such individual pursuant to this Section. Any payment so made shall be in complete discharge of this Plan's obligations to such individual.

Section 7.11. **Successors and Assigns**. This Plan is binding on all persons entitled to benefits hereunder and their respective heirs and legal representatives and on the Employers and their successors.

Section 7.12. **Election Form Subject to Pla**n. Any Election Form is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event of any inconsistency between the terms of any Election Form and the terms of the Plan, the terms of the Plan shall govern.

Section 7.13. **Severability**. If any provision of this Plan shall be held invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the remaining provisions of this Plan, and this Plan shall be construed and enforced as if the invalid or unenforceable provision had never been set forth herein.

Section 7.14. **Section 409A of the Code**. This amended and restated Plan shall be interpreted and construed in a manner that avoids 409A Penalties. In the event the terms of this amended and restated Plan do not comply with section 409A of the Code and regulations promulgated thereunder, the Company shall amend the terms of this Plan to avoid 409A Penalties, to the extent possible. Notwithstanding the foregoing, under no circumstance shall the Employers be responsible for any taxes, penalties, interest or other losses or expenses incurred by a Participant or other person due to any failure to comply with section 409A of the Code.

ARTICLE 8

Amendment or Termination

Section 8.1. **Amendment**. The Company shall have the right to amend the Plan from time to time by action of the VP-HR in his or her sole discretion. In no event shall any amendment reduce the amount credited to a Participant's Deferred Compensation Account.

Section 8.2. **Plan Termination**. The Plan may be terminated at any time by action of the VP-HR in his or her sole discretion. Upon a termination of the Plan, all Deferred Compensation Accounts shall be paid to Participants and Designated Beneficiaries pursuant to the terms of the Plan and the Participant elections thereunder. In no event shall the amount credited to a Participant's Deferred Compensation Account be reduced as a result of a Plan termination.

IN WITNESS WHEREOF, TDS Telecommunications Corporation has caused this Plan, as amended and restated herein, to be executed by its duly authorized officer this 21st day of November, 2007.

TDS TELECOMMUNICATIONS CORPORATION

By: /s/ Michael A. Pandow

Its: Sr. VP Human Resources

Exhibit 10.30

AMENDMENT NUMBER ONE
TO
TDS TELECOMMUNICATIONS CORPORATION
EXECUTIVE DEFERRED COMPENSATION PROGRAM

WHEREAS, TDS Telecommunications Corporation, a Delaware corporation (the "Company"), has heretofore adopted and maintains a deferred compensation plan for the benefit of its employees and employees of affiliates of the Company which are participating employers, designated the "TDS Telecommunications Corporation Executive Deferred Compensation Program" (the "Plan"); and

WHEREAS, the Company desires to amend the Plan to change the method of determining the rate of interest to be used for monthly crediting to each Participant's Account.

NOW, THEREFORE, pursuant to the power of amendment contained in Section 8.1 of the Plan, the Plan is hereby amended, effective for Plan Years beginning on and after January 1, 2009 by restating the first sentence of Section 4.2 to read as follows:

> Section 4.2. Crediting of Interests. On the last day of each month until all of a Participant's Deferred Compensation Account has been paid (or forfeited pursuant to Section 7.9), there shall be credited to the balance of such Deferred Compensation Account interest compounded monthly computed at a rate equal to one-twelfth (1/12) of the sum of (i) the average thirty (30) year Treasury Bond rate of interest (as published on the U.S. Department of Treasury website for the last business day of such month) plus (ii) 1.25 percentage point.

IN WITNESS WHEREOF, the Company has caused this Amendment Number One to the TDS Telecommunications Corporation Executive Deferred Compensation Program to be adopted this 8th day of October, 2008.

TDS TELECOMMUNICATIONS CORPORATION

By: /S/ Michael A. Pandow
Michael A. Pandow
Senior Vice President Human Resources
and Administration

Exhibit 10.31

TDS TELECOMMUNICATIONS CORPORATION
EXECUTIVE DEFERRED COMPENSATION PROGRAM

20 Election Form
and
Post-2004 Deferred Compensation Account
Payment Election Form*

____
Executive's Name (please print)

Election to Participate
(please check one)

☐ I choose to participate in the TDS Telecommunications Corporation Executive Deferred Compensation Program (the "Plan") for calendar year 20 .

☐ I choose not to participate in the TDS Telecommunications Corporation Executive Deferred Compensation Program (the "Plan") for calendar year 20 .

Deferral of Gross Compensation
On each issuance of my payroll check for services to be performed in calendar year 20 and on each issuance of a check in full or partial payment of my bonus and commission, if any, for services to be performed in calendar year 20 , I elect to have TDS Telecommunications Corporation deduct an amount equivalent to percent of my base salary, bonus and commission for the pay period which will be credited to my Post-2004 Deferred Compensation Account under the Plan as of the date of such scheduled payment. The first deduction will occur on my bi-weekly payroll check dated January , 20 .

Date of Payment of Post-2004 Deferred Compensation Account (choose one option):

(a) ☐ Seventh month after separation from service (as defined in the Plan); or

(b) ☐ Specified date: (must be a month and year in 20 or later).

Form of Payment of Post-2004 Deferred Compensation Account (Choose one option):

(a) ☐ Lump sum distribution;

(b) ☐ Annual installment method. The number of installments shall be (cannot be greater than 5); or

(c) ☐ Quarterly installment method. The number of installments shall be (cannot be greater than 20).

I understand that if I die prior to the total distribution of my Post-2004 Deferred Compensation Account, the unpaid balance of my Account will be payable in a lump sum to my designated beneficiary within 60 days of my death.

____

* This form should only be used for an Executive's first year of participation in the Plan.

Acknowledgement of Executive

I acknowledge and agree that the elections set forth herein to defer my base salary, bonus and commission for calendar year 20 are irrevocable and, except in the event of any withdrawal under the Plan (or under any other elective account balance plan maintained by TDS Telecommunications or its affiliates) due to my unforeseeable emergency (as defined in the Plan), shall be in effect for the entire calendar year.

I understand that the Internal Revenue Code significantly restricts my ability to change the elections set forth herein regarding the date and form of payment of my Post-2004 Deferred Compensation Account. I generally will not be allowed to elect to accelerate the payment of my Post-2004 Deferred Compensation Account. I may elect to delay the payment of my Post-2004 Deferred Compensation Account or change the form of payment only if (i) such election is made at least 12 months prior to the date of the scheduled payment (or, in the case of installment payments, 12 months prior to the date the first amount is scheduled to be paid) and (ii) except in the event of my death, disability or unforeseeable emergency, the payment subject to such election is deferred for a period of at least 5 years from the date such payment otherwise would have been made (or, in the case of installment payments, 5 years from the date the first amount is scheduled to be paid).

I acknowledge and agree that my elections set forth herein are subject to the terms and conditions of the Plan, as it may be amended from time to time, including any amendment necessary to satisfy any requirements of Section 409A of the Internal Revenue Code.

Executive's Signature	**Date**

YOUR COMPLETED ELECTION FORM MUST BE RECEIVED NO LATER THAN DECEMBER , 20 TO BE EFFECTIVE. PLEASE RETURN THIS COMPLETED ELECTION FORM TO .

TDS TELECOMMUNICATIONS CORPORATION
EXECUTIVE DEFERRED COMPENSATION PROGRAM

20 Election Form

Executive's Name (please print)

Election to Participate
(please check one)

☐ I choose to participate in the TDS Telecommunications Corporation Executive Deferred Compensation Program (the "Plan") for calendar year 20 .

☐ I choose not to participate in the TDS Telecommunications Corporation Executive Deferred Compensation Program (the "Plan") for calendar year 20 .

Deferral of Gross Compensation

On each issuance of my payroll check for services to be performed in calendar year 20 and on each issuance of a check in full or partial payment of my bonus and commission, if any, for services to be performed in calendar year 20 , I elect to have TDS Telecommunications Corporation deduct an amount equivalent to percent of my base salary, bonus and commission for the pay period which will be credited to my Post-2004 Deferred Compensation Account under the Plan as of the date of such scheduled payment. The first deduction will occur on my bi-weekly payroll check dated January , 20 .

Acknowledgement of Executive

I acknowledge and agree that the elections set forth herein to defer my base salary, bonus and commission for calendar year 20 are irrevocable and, except in the event of any withdrawal under the Plan (or under any other elective account balance plan maintained by TDS Telecommunications or its affiliates) due to my unforeseeable emergency (as defined in the Plan), shall be in effect for the entire calendar year.

I acknowledge that I previously filed an election under the Plan regarding the date and form of payment of my Post-2004 Deferred Compensation Account. I understand that the Internal Revenue Code significantly restricts my ability to change my elections regarding the date and form of payment of my Post-2004 Deferred Compensation Account. I generally will not be allowed to elect to accelerate the payment of my Post-2004 Deferred Compensation Account. I may elect to delay the payment of my Post-2004 Deferred Compensation Account or change the form of payment only if (i) such election is made at least 12 months prior to the date of the scheduled payment (or, in the case of installment payments, 12 months prior to the date the first amount is scheduled to be paid) and (ii) except in the event of my death, disability or unforeseeable emergency, the payment subject to such election is deferred for a period of at least 5 years from the date such payment otherwise would have been made (or, in the case of installment payments, 5 years from the date the first amount is scheduled to be paid).

I acknowledge and agree that my election set forth herein is subject to the terms and conditions of the Plan, as it may be amended from time to time, including any amendment necessary to satisfy any requirements of Section 409A of the Internal Revenue Code.

Executive's Signature	**Date**

YOUR COMPLETED ELECTION FORM MUST BE RECEIVED NO LATER THAN DECEMBER , 20 TO BE EFFECTIVE. PLEASE RETURN THIS COMPLETED ELECTION FORM TO .

Exhibit 12

TELEPHONE AND DATA SYSTEMS, INC.
RATIO OF EARNINGS TO FIXED CHARGES
For the Year Ended December 31,

(Dollars in thousands)	2009	2008	2007	2006	2005
EARNINGS:					
Income before income taxes(1)	$ 387,102	$ 153,006	$ 685,450	$ 323,338	$ 1,107,135
Add (deduct):					
Equity in earnings of unconsolidated entities	(90,732)	(89,812)	(91,831)	(95,170)	(68,039)
Distributions from unconsolidated entities	91,587	92,335	87,404	78,248	52,624
Amortization of capitalized interest	497	—	—	—	—
Income attributable to noncontrolling interests in subsidiaries that do not have fixed charges	(20,333)	(23,955)	(20,408)	(13,571)	(9,631)
	368,121	131,574	660,615	292,845	1,082,089
Add fixed charges:					
Consolidated interest expense (2)	124,557	137,899	208,736	234,543	216,021
Interest portion (1/3) of consolidated rent expense	47,383	46,752	45,451	42,187	40,919
	$ 540,061	$ 316,225	$ 914,802	$ 569,575	$ 1,339,029
FIXED CHARGES:					
Consolidated interest expense (2)	$ 124,557	$ 137,899	$ 208,736	$ 234,543	$ 216,021
Capitalized interest	3,850	4,162	811	494	—
Interest portion (1/3) of consolidated rent expense	47,383	46,752	45,451	42,187	40,919
	$ 175,790	$ 188,813	$ 254,998	$ 277,224	$ 256,940
RATIO OF EARNINGS TO FIXED CHARGES	3.07	1.67	3.59	2.05	5.21
Tax-effected preferred dividends	$ 78	$ 82	$ 88	$ 259	$ 312
Fixed charges	175,790	188,813	254,998	277,224	256,940
Fixed charges and preferred dividends	$ 175,868	$ 188,895	$ 255,086	$ 277,483	$ 257,252
RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS	3.07	1.67	3.59	2.05	5.21

(1) Includes non-cash charges related to losses on impairment as follows: 2009: $14.0 million; 2008: $414.4 million; 2007: $24.9 million.

Includes gain (loss) on investments and financial instruments as follows: 2008: $31.6 million; 2007: $81.4 million; 2006: $(137.7) million; 2005: $727.5 million.

(2) Interest expense on income tax contingencies is not included in fixed charges.

Exhibit 13

Telephone and Data Systems, Inc. and Subsidiaries

Financial Reports Contents

Telephone and Data Systems, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Telephone and Data Systems, Inc. ("TDS") is a diversified telecommunications company providing high-quality telecommunications services in 36 states to approximately 6.1 million wireless customers and 1.1 million wireline equivalent access lines at December 31, 2009. TDS conducts substantially all of its wireless operations through its 82%-owned subsidiary, United States Cellular Corporation ("U.S. Cellular"), and provides wireline services through its incumbent local exchange carrier ("ILEC") and competitive local exchange carrier ("CLEC") operations under its wholly owned subsidiary, TDS Telecommunications Corporation ("TDS Telecom"). TDS conducts printing and distribution services through its 80%-owned subsidiary, Suttle-Straus, Inc. ("Suttle-Straus") which represents a very small portion of TDS' operations.

The following discussion and analysis should be read in conjunction with TDS' audited consolidated financial statements and the description of TDS' business included in Item 1 of the TDS Annual Report on Form 10-K ("Form 10-K") for the year ended December 31, 2009.

OVERVIEW

The following is a summary of certain selected information contained in the comprehensive Management's Discussion and Analysis of Financial Condition and Results of Operations that follows. The summary does not contain all of the information that may be important. You should carefully read the entire Management's Discussion and Analysis of Financial Condition and Results of Operations and not rely solely on the overview.

U.S. Cellular

U.S. Cellular provides wireless telecommunications services to more than 6.1 million customers in five geographic market areas in 26 states. As of December 31, 2009, U.S. Cellular's average penetration rate in its consolidated operating markets, calculated by dividing U.S. Cellular's total customers by the total population of 46.3 million in such markets, was 13.3%. U.S. Cellular operates on a customer satisfaction strategy, meeting customer needs by providing a comprehensive range of wireless products and services, excellent customer support, and a high-quality network. U.S. Cellular's business development strategy is to operate controlling interests in wireless licenses in areas adjacent to or in proximity to its other wireless licenses, thereby building contiguous operating market areas. U.S. Cellular believes that operating in contiguous market areas will continue to provide it with certain economies in its capital and operating costs.

Financial and operating highlights in 2009 included the following:

- Total customers were 6,141,000 at December 31, 2009, including 5,744,000 retail customers.
- Retail customer net additions were 37,000 in 2009 compared to 149,000 in 2008. The decrease year-over-year reflected higher churn rates, due to the weak economy and very competitive industry conditions which included the initiation of service by unlimited prepay service providers in certain of U.S. Cellular's markets.
- Postpay customers comprised approximately 95% of U.S. Cellular's retail customer base as of December 31, 2009. Postpay net additions were 62,000 in 2009 compared to 158,000 in 2008. The postpay churn rate was 1.6% in 2009 compared to 1.5% in 2008.
- Service revenues of $3,927.9 million decreased $12.5 million year-over-year, due primarily to a decrease of $76.4 million (23%) in inbound roaming revenues. Retail service revenue grew by $33.2 million (1%) due primarily to an increase in the average monthly retail service revenue per customer, driven by higher data usage. Data revenues grew 33% year-over-year to $683.0 million.
- On June 30, 2009, U.S. Cellular entered into a new $300 million revolving credit agreement with certain lenders and other parties. As a result, U.S. Cellular's $700 million revolving credit agreement, which was due to expire in December 2009, was terminated on June 30, 2009 as a condition of entering into

the new agreement. The new revolving credit agreement provides U.S. Cellular with a $300 million senior revolving credit facility for working capital, acquisitions and other corporate purposes and to refinance any existing debt of U.S. Cellular.

- On December 24, 2009, U.S. Cellular redeemed all of its outstanding 8.75% Senior Notes due November 1, 2032. The $130.0 million aggregate principal amount of the outstanding notes was redeemed at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, which resulted in a total redemption payment of $131.7 million.

- Additions to property, plant and equipment totaled $546.8 million, including expenditures to construct cell sites, increase capacity in existing cell sites and switches, expand mobile broadband services based on third generation Evolution-Data Optimized technology ("3G") to additional markets, outfit new and remodel existing retail stores and continue the development and enhancement of U.S. Cellular's office systems. Total cell sites in service increased 6% year-over-year to 7,279.

- As part of its customer satisfaction strategy and Believe in Something Better® brand message, U.S. Cellular launched its Battery Swap program in May 2009. Under this new program, a customer can exchange a battery that is dead or dying for one that is fully charged, at no cost to the customer. U.S. Cellular was the first wireless company to offer this service in the United States, and completed over one million battery swaps in 2009.

- In November 2009, U.S. Cellular launched Overage Protection, a customer satisfaction strategy that allows customers to opt into receiving alerts when they come close to reaching their allowable plan minutes or text messages for the month in order to avoid overage charges. Approximately 600,000 of U.S. Cellular's customers signed up for this service in 2009.

- U.S. Cellular began efforts on a number of multi-year initiatives including the development of: a Billing and Operational Support System ("BSS/OSS") including a new point-of-sale system to consolidate billing on one platform; an Electronic Data Warehouse/Customer Relationship Management System to collect and analyze information more efficiently to build and improve customer relationships; and a new Internet/Web platform to enable customers to complete a wide range of transactions and, eventually, to manage their accounts online.

- U.S. Cellular recognized a loss on impairment of licenses of $14.0 million in 2009. In 2008, a loss on impairment of $386.7 million was recognized. See "Results of Operations—Consolidated" and "Results of Operations—Wireless" for a further discussion of losses on impairment. U.S. Cellular anticipates that future growth in its operating income will be affected by the following factors:

– Overall demand for U.S. Cellular's products and services, including potential growth in revenues from data products and services;

– Increasing penetration in the wireless industry;

– Increased competition in the wireless industry, including potential reductions in pricing for products and services overall and impacts associated with the expanding presence of carriers offering low-priced, unlimited prepay service;

– Uncertainty related to current economic conditions and their impact on customer purchasing and payment behaviors;

– Costs of customer acquisition and retention, such as equipment subsidies and advertising;

– Industry consolidation and the resultant effects on roaming revenues, service and equipment pricing and other effects of competition;

– Providing service in recently launched areas or potential new market areas;

– Potential increases or decreases in prepay and reseller customers as a percentage of U.S. Cellular's customer base;

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– Costs of developing and introducing new products and services;

– Costs of developing and enhancing office and customer support systems, including costs and risks associated with the completion of important multi-year initiatives such as those described above;

– Continued enhancements to its wireless networks, including expansion of 3G services and potential deployments of new technology;

– Increasing costs of regulatory compliance; and

– Uncertainty in future eligible telecommunication carrier ("ETC") funding.

See "Results of Operations—Wireless."

2010 Wireless Estimates

U.S. Cellular expects the factors described above to impact revenues and operating income for the next several quarters. Any changes in the above factors, as well as the effects of other drivers of U.S. Cellular's operating results, may cause revenues and operating income to fluctuate over the next several quarters.

U.S. Cellular's estimates of full-year 2010 results are shown below. Such estimates represent U.S. Cellular's views as of the date of filing of U.S. Cellular's Form 10-K for the year ended December 31, 2009. Such forward-looking statements should not be assumed to be accurate as of any future date. U.S. Cellular undertakes no duty to update such information whether as a result of new information, future events or otherwise. There can be no assurance that final results will not differ materially from such estimated results.

	2010 Estimated Results	2009 Actual Results
Service revenues	$3,975 - $4,075 million	$3,927.9 million
Operating income	$250 - $350 million	$326.4 million
Depreciation, amortization and accretion expenses, and losses on disposals and impairment of assets(1)	Approx. $600 million	$599.8 million
Capital expenditures	Approx. $600 million	$546.8 million

(1) 2009 Actual Results include losses on asset disposals of $15.2 million and impairments of assets of $14.0 million. The 2010 Estimated Results include only the estimate for Depreciation, amortization and accretion expenses and losses on disposals of assets, and do not include any estimate for losses on impairment of assets (since these can not be predicted).

U.S. Cellular management believes that the foregoing estimates represent a reasonable view of what is achievable considering current economic and competitive conditions as well as actions that U.S. Cellular has taken and will be taking. U.S. Cellular expects to continue its focus on customer satisfaction by delivering a high quality network, attractively priced service plans, a broad line of handsets and other products, and outstanding customer service in its company-owned and agent retail stores and customer care centers. U.S. Cellular believes that future growth in its revenues will result primarily from selling additional products and services to its existing customers, increasing the number of multi-device users among its existing customers, and attracting wireless users switching from other wireless carriers, rather than by adding users that are new to wireless service. U.S. Cellular is focusing on opportunities to increase revenues, pursuing cost reduction initiatives in various areas and implementing a number of initiatives to enable future growth. The initiatives are intended, among other things, to allow U.S. Cellular to accelerate its introduction of new products and services, better segment its customers for new services and retention, sell additional services such as data, expand its Internet sales and customer service capabilities, and improve its prepay products and services.

Telephone and Data Systems, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

TDS Telecom

TDS Telecom provides high-quality telecommunication services, including full-service local exchange service, long-distance telephone service and broadband access, to rural and suburban area communities. TDS Telecom's business plan is designed for a full-service telecommunications company, including both ILEC and CLEC operations. TDS Telecom's strategy is to be the preferred provider of telecommunications services—including voice, broadband and video services—in its chosen markets. This strategy encompasses many components, including:

- Developing services and products;
- Formulating market and customer strategies;
- Investing in networks and deploying advanced technologies;
- Monitoring the competitive environment;
- Advocating with respect to state and federal regulations for positions that support its ability to provide advanced telecommunications services to its customers; and
- Exploring transactions to acquire or divest properties that would result in strengthening its operations.

Both ILECs and CLECs are faced with significant challenges, including the industry-wide decline in use of second lines by customers, growing competition from wireless and other wireline providers (other CLECs and cable providers), changes in regulation, technologies such as Voice over Internet Protocol ("VoIP"), and the uncertainty in the economy. These challenges could have a material adverse effect on the financial condition, results of operations and cash flows of TDS Telecom in the future.

Financial and operating highlights for 2009 include the following:

- Equivalent access lines decreased 3% to 1,131,800 as compared to December 31, 2008. Equivalent access lines are the sum of physical access lines and high-capacity data lines adjusted to estimate the equivalent number of physical access lines in terms of capacity. A physical access line is an individual circuit connecting a customer to a telephone company's central office facilities. Each digital subscriber line ("DSL") is treated as an equivalent access line in addition to a voice line that may operate on the same copper loop. Additionally, each managed IP handset is considered an equivalent access line.
- Operating revenues decreased $34.4 million or 4% to $789.9 million in 2009. The decrease was primarily due to a decline in ILEC and CLEC physical access lines as well as a decline in voice network usage by inter-exchange carriers. These decreases were partially offset by the increase in revenues derived from an increase in ILEC data customers and the acquisition of one ILEC company in 2009 and three ILEC companies in 2008.
- Operating expenses increased $15.2 million or 2% to $697.3 million in 2009. The increase was primarily due to an increase in legal, excise and sales tax expenses arising from discrete matters totaling $3.5 million and severance of $5.1 million incurred as a result of workforce reduction initiatives. Additional costs were also incurred from operating the four ILEC companies acquired in 2008 and 2009. Partially offsetting these increases in expenses were discrete events related to employee compensation modifications which reduced expenses by $4.1 million.
- Operating income decreased to $92.6 million during 2009 compared to $142.2 million in 2008, as a result of decreased operating revenues and increased expenses noted above.
- Additions to property, plant and equipment totaled $120.5 million in 2009.

See "Results of Operations—Wireline."

Telephone and Data Systems, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

2010 Wireline Estimates

TDS Telecom's estimates of full-year 2010 results are shown below. Such forward-looking statements should not be assumed to be accurate as of any future date. Such estimates represent TDS Telecom's view as of the filing date of TDS' Form 10-K for the year ended December 31, 2009. TDS undertakes no duty to update such information whether as a result of new information, future events or otherwise. There can be no assurance that final results will not differ materially from these estimated results.

	2010 Estimated Results	2009 Actual Results
ILEC and CLEC operations:		
Operating revenues	$740 - $780 million	$789.9 million
Operating income	$70 - $100 million	$92.6 million
Depreciation, amortization and accretion expenses and losses on asset disposals(1)	Approx. $170 million	$169.7 million
Capital expenditures	Approx. $140 million	$120.5 million

(1) 2009 Actual Results include losses on disposals of $2.4 million. The 2010 Estimated Results include only the estimate for Depreciation, amortization and accretion expenses and losses on asset disposals, and do not include any estimate for losses on impairment of assets since these cannot be predicted.

The above estimates reflect the expectations of TDS Telecom's management considering the current general economic conditions. During this challenging business environment, TDS Telecom will continue to focus on its cost-reduction initiatives through product cost improvement and process efficiencies. TDS Telecom also plans to continue to focus on customer retention programs, including "triple-play" bundles involving voice, DSL and satellite TV.

Cash Flows and Investments—TDS and its subsidiaries had cash and cash equivalents totaling $671.0 million, short-term investments in the form of certificates of deposit aggregating $113.3 million and borrowing capacity under their revolving credit facilities of $696.4 million as of December 31, 2009. In addition to U.S. Cellular's new $300 million revolving credit agreement, as previously discussed, on June 30, 2009, TDS entered into a new $400 million revolving credit agreement with certain lenders and other parties. As a result, TDS' $600 million revolving credit agreement, which was due to expire in December 2009, was terminated on June 30, 2009 as a condition of entering into the new agreement. TDS' and U.S. Cellular's new revolving credit agreements provide TDS with an aggregate $700 million of availability for general corporate purposes. Also, during 2009, TDS and its subsidiaries generated $1,102.6 million of cash flows from operating activities. Management believes that cash on hand, expected future cash flows from operating activities and sources of external financing provide substantial liquidity and financial flexibility and are sufficient to permit TDS and its subsidiaries to finance their contractual obligations and anticipated capital and operating expenditures for the foreseeable future.

See "Financial Resources" and "Liquidity and Capital Resources" below for additional information related to cash flows and investments, including information related to TDS' and U.S. Cellular's new revolving credit agreements.

Recent Developments—Congress recently enacted the American Recovery and Reinvestment Act of 2009, or the Recovery Act, which provides, among other things, for an aggregate appropriation of $7.2 billion to fund grants and loans to provide broadband infrastructure, access and equipment to consumers residing in rural, unserved or underserved areas of the United States. TDS Telecom and U.S. Cellular submitted applications for grants in the first round of funding in the amounts of $62.6 million and $23.5 million, respectively. TDS Telecom received approval for two of its applications in the aggregate amount of $12.5 million while U.S. Cellular has been notified that none of its applications were granted. TDS Telecom and U.S. Cellular are currently considering submitting additional applications for grants in the second round of funding, which applications are due March 15, 2010. There is no assurance TDS Telecom and/or U.S. Cellular will receive any additional grants of Recovery Act funds. The distribution of Recovery Act funds to other telecommunications service providers could impact competition in certain of TDS Telecom's and U.S. Cellular's service areas.

Telephone and Data Systems, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS—CONSOLIDATED

December 31,	2009	Increase/ (Decrease)	Percentage Change	2008	Increase/ (Decrease)	Percentage Change	2007
	(Dollars in thousands, except per share amounts)						
Operating revenues							
U.S. Cellular	$ 4,214,611	$ (28,574)	(1)%	$ 4,243,185	$ 296,921	8%	$ 3,946,264
TDS Telecom	789,852	(34,430)	(4)%	824,282	(35,929)	(4)%	860,211
All other(1)	16,211	(8,341)	(34)%	24,552	2,043	9%	22,509
Total operating revenues	5,020,674	(71,345)	(1)%	5,092,019	263,035	5%	4,828,984
Operating expenses							
U.S. Cellular	3,888,204	(327,271)	(8)%	4,215,475	665,410	19%	3,550,065
TDS Telecom	697,287	15,249	2%	682,038	(36,971)	(5)%	719,009
All other(1)	27,377	(38,975)	(59)%	66,352	34,340	>100%	32,012
Total operating expenses	4,612,868	(350,997)	(7)%	4,963,865	662,779	15%	4,301,086
Operating income (loss)							
U.S. Cellular	326,407	298,697	>100%	27,710	(368,489)	(93)%	396,199
TDS Telecom	92,565	(49,679)	(35)%	142,244	1,042	1%	141,202
All other(1)	(11,166)	30,634	73%	(41,800)	(32,297)	>100%	(9,503)
Total operating income	407,806	279,652	>100%	128,154	(399,744)	(76)%	527,898
Other income and (expenses)							
Equity in earnings of unconsolidated entities	90,732	920	1%	89,812	(2,019)	(2)%	91,831
Interest and dividend income	11,121	(28,010)	(72)%	39,131	(160,304)	(80)%	199,435
Interest expense	(124,557)	13,342	10%	(137,899)	70,837	34%	(208,736)
Gain on investments and financial instruments	—	(31,595)	N/M	31,595	(49,828)	(61)%	81,423
Other, net	2,000	(213)	(10)%	2,213	8,614	>100%	(6,401)
Total other income (expenses)	(20,704)	(45,556)	>100%	24,852	(132,700)	(84)%	157,552
Income before income taxes and extraordinary item	387,102	234,096	>100%	153,006	(532,444)	(78)%	685,450
Income tax expense	133,376	103,283	>100%	30,093	(238,961)	(89)%	269,054
Income before extraordinary item	253,726	130,813	>100%	122,913	(293,483)	(70)%	416,396
Extraordinary item, net of tax	—	—	N/M	—	(42,827)	N/M	42,827
Net income	253,726	130,813	>100%	122,913	(336,310)	(73)%	459,223
Less: Net income attributable to noncontrolling interests, net of tax	(59,824)	(30,452)	>100%	(29,372)	43,739	60%	(73,111)
Net income attributable to TDS shareholders	193,902	100,361	>100%	93,541	(292,571)	(76)%	386,112
Preferred dividend requirement	(51)	1	2%	(52)	—	—	(52)
Net income available to common	$ 193,851	$ 100,362	>100%	$ 93,489	$ (292,571)	(76)%	$ 386,060
Basic earnings per share attributable to TDS shareholders	$ 1.77	$ 0.96	>100%	$ 0.81	$ (2.47)	(75)%	$ 3.28
Diluted earnings per share attributable to TDS shareholders	$ 1.77	$ 0.97	>100%	$ 0.80	$ (2.42)	(75)%	$ 3.22

(1) Consists of non-reportable segment, corporate operations and intercompany eliminations.

N/M—Percentage change not meaningful

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Operating Revenues and Expenses

See "Results of Operations—Wireless" and "Results of Operations—Wireline" below for factors that affected Operating revenues and expenses.

Operating expenses included impairment losses on licenses held at U.S. Cellular in 2009, 2008 and 2007, and are discussed in "Results of Operations—Wireless". An additional $27.7 million impairment loss on licenses was recognized at the TDS consolidated level in 2008 due to the fact that TDS accounted for U.S. Cellular's share repurchases as step acquisitions, allocating a portion of the repurchase value to TDS licenses, as required by GAAP in effect at that time.

The impact of impairment losses related to licenses was as follows:

	2009	2008	2007
	(Dollars in millions, except per share amounts)		
Net income attributable to TDS shareholders, excluding licenses impairments(1)	$ 201.0	$ 302.7	$ 397.9
Loss on impairment of intangible assets related to licenses(2)	(14.0)	(414.4)	(23.0)
Income tax and noncontrolling interest impact of licenses impairment(1)	6.9	205.2	11.2
Impact of licenses impairments on Net income attributable to TDS shareholders(1)	(7.1)	(209.2)	(11.8)
Net income attributable to TDS shareholders	$ 193.9	$ 93.5	$ 386.1
Diluted earnings per share attributable to TDS shareholders, excluding licenses impairments(1)	$ 1.84	$ 2.60	$ 3.32
Impact of licenses impairments on Diluted earnings per share attributable to TDS shareholders(1)	(0.07)	(1.80)	(0.10)
Diluted earnings per share attributable to TDS shareholders	$ 1.77	$ 0.80	$ 3.22

(1) These amounts are non-GAAP financial measures. The purpose of presenting these measures is to provide information on the impact of losses on impairment related to licenses on results of operations. Such impairments are discrete, significant amounts that impact the comparability of the results of operations, and

TDS believes it is useful to disclose these impacts. The income tax and noncontrolling interest impact is calculated by allocating the losses on impairment to the respective consolidated subsidiaries, and applying the income tax rate and noncontrolling interest percentages applicable to these respective subsidiaries.

(2) Loss on impairment of intangible assets on the Consolidated Statement of Operations for 2007 also included a $1.9 million loss on impairment related to customer lists.

Equity in earnings of unconsolidated entities

Equity in earnings of unconsolidated entities represents TDS' share of net income from markets in which it has a noncontrolling interest and that are accounted for by the equity method. TDS follows the equity method of accounting for unconsolidated entities over which it has the ability to exercise significant influence, generally entities in which its ownership interest is less than or equal to 50% but equals or exceeds 20% for corporations and 3% for partnerships and limited liability companies.

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TDS' investment in the Los Angeles SMSA Limited Partnership ("LA Partnership") contributed $64.7 million, $66.1 million and $71.2 million to Equity in earnings of unconsolidated entities in 2009, 2008 and 2007, respectively. TDS also received cash distributions from the LA Partnership of $66.0 million in each of 2009, 2008 and 2007.

Interest and dividend income

Interest income decreased $18.0 million in 2009 compared to 2008 and $42.2 million in 2008 compared to 2007 primarily due to a lower interest rate earned on cash balances. The weighted average return on cash investments declined due to both a decline in short-term interest rates and a change in the composition of TDS' cash investments. TDS invested substantially all of its cash balances in prime money market funds from January 2007 through August 2007 and in money market funds that invest exclusively in short-term U.S. Treasury securities or repurchase agreements backed by U.S. Treasury securities thereafter. In addition, lower average investment balances in 2009 compared to 2008 contributed to the interest income decline.

Dividend income decreased by $10.0 million in 2009 and by $118.1 million in 2008 primarily due to a decrease in dividends from Deutsche Telekom Ordinary Shares. A portion of these shares were disposed of in 2007, and the remainder of these shares were disposed of in 2008.

Interest expense

The decrease in interest expense in 2009 and 2008 was primarily attributable to variable prepaid forward contracts. TDS settled a portion of these contracts in 2007, and the remainder in 2008.

Interest expense is summarized by related debt instrument in the following table:

Year Ended December 31,	2009	2008	2007
	(Dollars in thousands)		
Forward contracts	$ —	$ 12,028	$ 77,543
U.S. Cellular 6.7% senior notes	37,084	37,085	37,084
U.S. Cellular 7.5% senior notes	25,114	25,113	25,113
U.S. Cellular 8.75% senior notes(1)	11,166	11,383	11,380
TDS 7.6% notes	38,414	38,414	38,414
TDS 6.625% notes	7,798	7,798	7,798
U.S. Cellular revolving credit facility	3,011	3,061	4,967
TDS revolving credit facility	2,547	1,695	2,765
Other	(577)	1,322	3,672
Total interest expense	$ 124,557	$ 137,899	$ 208,736

(1) The 8.75% senior notes were due November 1, 2032. Interest was paid quarterly. U.S. Cellular redeemed the notes in whole at the redemption price equal to 100% of the principal amount plus accrued and unpaid interest on December 24, 2009, which resulted in a total redemption payment of $131.7 million.

Gain on investments and financial instruments

In 2008, Gain on investments and financial instruments consisted primarily of a $31.7 million gain realized upon the disposition of Rural Cellular Corporation Common Shares.

In 2007, Gain on investments and financial instruments included an aggregate net gain of $75.1 million related the investments in Vodafone American Depository Receipts, VeriSign Common Shares and Deutsche Telekom Ordinary Shares, including the settlement and disposition of a portion of these investments and related collars. Also included in 2007 was a $6.3 million additional gain from the sale of U.S. Cellular's interest in Midwest Wireless Communications, LLC ("Midwest Wireless").

See Note 3—Fair Value Measurements in the Notes to Consolidated Financial Statements for more information on the gains and losses on investments and financial instruments.

Income tax expense

The effective tax rates on Income before income taxes and extraordinary item ("pre-tax income") for 2009, 2008 and 2007 were 34.5%, 19.7% and 39.3%, respectively. The following significant discrete and other items impacted income tax expense for these years:

2009—Includes a tax benefit of $8.4 million resulting from a state tax law change.

2008—Includes tax benefits of $19.7 million and $7.4 million recorded upon the final disposition of the Deutsche Telekom Ordinary Shares and from a change in filing positions in certain states, respectively. The percentage impact of these items was magnified due to the 2008 Loss on impairment of intangible assets of $414.4 million, which decreased pre-tax income.

2007—Includes tax expense of $6.1 million, $4.6 million and $11.4 million primarily due to the increase in valuation allowances resulting from to the restructuring of certain legal entities, a write-off of deferred tax assets for certain partnerships, and foreign taxes related to dividend income on the Deutsche Telekom Ordinary Shares, respectively.

Net income attributable to noncontrolling interests, net of tax

Net income attributable to noncontrolling interests, net of tax includes the noncontrolling public shareholders' share of U.S. Cellular's net income, the noncontrolling shareholders' or partners' share of certain U.S. Cellular subsidiaries' net income or loss and other TDS noncontrolling interests.

Year Ended December 31,	2009	2008	2007
	(Dollars in thousands)		
Net income attributable to noncontrolling interest, net of tax			
U.S. Cellular			
Noncontrolling public shareholders'	$ (40,151)	$ (6,629)	$ (60,600)
Noncontrolling shareholders' or partners'	(19,673)	(22,743)	(12,398)
	(59,824)	(29,372)	(72,998)
Other	—	—	(113)
	$ (59,824)	$ (29,372)	$ (73,111)

Extraordinary Item

The extraordinary item was attributable to TDS Telecom's discontinuance of application of accounting for regulated enterprises prescribed by FASB ASC 980, *Regulated Operations* ("FASB ASC 980"), in the third quarter of 2007. See Note 5—Extraordinary Item in the Notes to Consolidated Financial Statements for more information.

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RESULTS OF OPERATIONS—WIRELESS

TDS provides wireless telephone service through U.S. Cellular, an 82%-owned subsidiary. U.S. Cellular owns, manages and invests in wireless markets throughout the United States.

Following is a table of summarized operating data for U.S. Cellular's consolidated operations.

As of December 31,(1)	2009	2008	2007
Total market population of consolidated operating markets(2)	46,306,000	46,009,000	44,955,000
Customers(3)	6,141,000	6,196,000	6,102,000
Market penetration(2)	13.3%	13.5%	13.6%
Total full-time equivalent employees(4)	8,867	8,712	8,067
Cell sites in service	7,279	6,877	6,383

For the Year Ended December 31,(5)	2009	2008	2007
Net retail customer additions(6)	37,000	149,000	333,000
Net customer additions (losses)(6)	(55,000)	91,000	281,000
Average monthly service revenue per customer(7)	$ 53.00	$ 53.23	$ 51.17
Postpay churn rate(8)	1.6%	1.5%	1.4%

(1) Amounts include results for U.S. Cellular's consolidated operating markets as of December 31.

(2) Calculated using 2008, 2007 and 2006 Claritas population estimates for 2009, 2008 and 2007, respectively. "Total market population of consolidated operating markets" is used only for the purposes of calculating market penetration of consolidated operating markets, which is calculated by dividing customers by the total market population (without duplication of population in overlapping markets).

The total market population and penetration measures for consolidated operating markets apply to markets in which U.S. Cellular provides wireless service to customers. For comparison purposes, total market population and penetration related to all consolidated markets in which U.S. Cellular owns an interest were 89,712,000 and 6.8%, 83,014,000 and 7.5%, and 82,371,000 and 7.4% as of December 31, 2009, 2008 and 2007, respectively.

A wholly owned subsidiary of U.S. Cellular is a limited partner in King Street Wireless, L.P. ("King Street Wireless"), an entity which participated in the auction of wireless spectrum in the 700 megahertz band designated by the FCC as Auction 73. At the conclusion of the auction on March 20, 2008, King Street Wireless was the provisional winning bidder with respect to 152 licenses. These 152 license areas cover portions of 27 states and are in markets which are either adjacent to or overlap current U.S. Cellular license areas. On December 30, 2009, the FCC granted the licenses to King Street Wireless which increased total market population of consolidated markets by 4,549,000 in 2009, but had no impact on the population of consolidated operating markets.

As a result of exchange transactions with AT&T that closed in August 2003, U.S. Cellular obtained rights to acquire additional licenses, and all except one of such licenses have been acquired and are reflected in the total market population of consolidated markets as of December 31, 2009. During 2009, U.S. Cellular acquired licenses pursuant to this exchange agreement which increased total market population of consolidated markets by 1,392,000, but had no impact on the population of consolidated operating markets. The acquisition of these licenses did not require U.S. Cellular to provide any consideration to AT&T beyond that already provided in conjunction with the August 2003 exchange transaction and, thus, did not cause a change in U.S. Cellular's Licenses balance in 2009. U.S. Cellular continues to have a right under the August 2003 exchange agreement to acquire a majority interest in one additional license; that right does not have a stated expiration date.

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(3) U.S. Cellular's customer base consists of the following types of customers:

	2009	2008	2007
Customers on postpay service plans in which the end user is a customer of U.S. Cellular ("postpay customers")	5,482,000	5,420,000	5,269,000
Customers on prepay service plans in which the end user is a customer of U.S. Cellular ("prepay customers")	262,000	287,000	295,000
Total retail customers	5,744,000	5,707,000	5,564,000
End user customers acquired through U.S. Cellular's agreements with third parties ("reseller customers")	397,000	489,000	538,000
Total customers	6,141,000	6,196,000	6,102,000

(4) Part-time employees are calculated at 70% of full-time employees. Prior year numbers were adjusted to conform to current year presentation.

(5) Amounts include results for U.S. Cellular's consolidated operating markets for the period January 1 through December 31; operating markets acquired during a particular period are included as of the acquisition date.

(6) "Net retail customer additions" represents the number of net customers added to U.S. Cellular's retail customer base through its marketing distribution channels; this measure excludes activity related to reseller customers and customers transferred through acquisitions, divestitures or exchanges. "Net customer additions (losses)" represents the number of net customers added to (deducted from) U.S. Cellular's overall customer base through its marketing distribution channels; this measure includes activity related to reseller customers but excludes activity related to customers transferred through acquisitions, divestitures or exchanges.

(7) Management uses this measurement to assess the amount of service revenue that U.S. Cellular generates each month on a per customer basis. Variances in this measurement are monitored and compared to variances in expenses on a per customer basis. Average monthly service revenue per customer is calculated as follows

	2009	2008	2007
Service revenues per Consolidated Statement of Operations (000s)	$ 3,927,859	$ 3,940,326	$ 3,679,237
Divided by average customers	6,176	6,169	5,992

during period (000s)*			
Divided by number of months in each period	12	12	12
Average monthly service revenue per customer	$ 53.00	$ 53.23	$ 51.17

* "Average customers during period" is calculated by adding the number of total customers at the beginning of the first month of the period and at the end of each month in the period and dividing by the number of months in the period plus one. Acquired and divested customers are included in the calculation on a prorated basis for the amount of time U.S. Cellular included such customers during each period.

(8) Postpay churn rate represents the percentage of the postpay customer base that disconnects service each month.

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Components of Operating Income

Year Ended December 31,	2009	Increase/ (Decrease)	Percentage Change	2008	Increase/ (Decrease)	Percentage Change	2007
			(Dollars in thousands)				
Retail service	$ 3,478,939	$ 33,177	1%	$ 3,445,762	$ 191,800	6%	$ 3,253,962
Inbound roaming	252,775	(76,421)	(23)%	329,196	35,430	12%	293,766
Other	196,145	30,777	19%	165,368	33,859	26%	131,509
Service revenues	3,927,859	(12,467)	—	3,940,326	261,089	7%	3,679,237
Equipment sales	286,752	(16,107)	(5)%	302,859	35,832	13%	267,027
Total operating revenues	4,214,611	(28,574)	(1)%	4,243,185	296,921	8%	3,946,264
System operations (excluding Depreciation, amortization and accretion reported below)	796,617	12,560	2%	784,057	66,982	9%	717,075
Cost of equipment sold	742,993	(413)	—	743,406	106,109	17%	637,297
Selling, general and administrative	1,748,760	47,710	3%	1,701,050	142,482	9%	1,558,568
Depreciation, amortization and accretion	570,658	(6,273)	(1)%	576,931	(1,255)	—	578,186
Loss on impairment of intangible assets	14,000	(372,653)	(96)%	386,653	361,730	>100%	24,923
Loss on asset disposals, net	15,176	(8,202)	(35)%	23,378	(10,638)	(31)%	34,016
Total operating expenses	3,888,204	(327,271)	(8)%	4,215,475	665,410	19%	3,550,065
Operating income	$ 326,407	$ 298,697	>100%	$ 27,710	$ (368,489)	(93)%	$ 396,199

N/M—Percentage change not meaningful

Operating Revenues

Service revenues

Service revenues consist primarily of: (i) charges for access, airtime, roaming, recovery of regulatory costs and value-added services, including data products and services and long distance, provided to U.S. Cellular's retail customers and to end users through third-party resellers ("retail service"); (ii) charges to other wireless carriers whose customers use U.S. Cellular's wireless systems when roaming, including long-distance roaming ("inbound roaming"); and (iii) amounts received from the Federal Universal Service Fund ("USF").

Retail service revenues

The increase in Retail service revenues in 2009 was due primarily to an increase in average monthly retail service revenue per customer. The increase in 2008 was due primarily to growth in U.S. Cellular's average customer base and an increase in average monthly retail service revenue per customer.

The average number of customers in 2009 was relatively flat compared to 2008. The increase in the average number of customers in 2008 was driven primarily by the net retail customer additions that U.S. Cellular generated from its marketing distribution channels and by the timing of acquisitions.

Average monthly retail service revenue per customer increased 1% to $46.94 in 2009 from $46.55 in 2008, and increased 3% in 2008 from $45.25 in 2007. The increase in average monthly retail service revenue was driven primarily by growth in revenues from data products and services.

Revenues from data products and services totaled $683.0 million in 2009, $511.7 million in 2008, and $367.9 million in 2007 and represented 17% of total service revenues in 2009 compared to 13% and 10% of total service revenues in 2008 and 2007, respectively. Such growth, which positively impacted average monthly retail service revenue per customer, reflected customers' continued and increasing usage of U.S. Cellular's text, picture, and video messaging services, **easy**edge[SM] service and applications, premium mobile Internet services, and smartphone handsets and services. In 2009, U.S. Cellular introduced unlimited messaging plans and unlimited messaging and mobile Internet plans that further drove data usage and revenues. U.S. Cellular expects that the growth in revenues from data products and services will continue as customers increasingly purchase premium and smartphone devices along with data plans and applications and utilize U.S. Cellular's 3G network. U.S. Cellular's 3G network covered approximately 75% of its customers as of December 31, 2009. U.S. Cellular expects to expand its 3G network to cover approximately 98% of its customers by the end of 2010.

Revenues from voice services declined year-over-year primarily due to a reduction in average voice revenue per customer. The reduction in average voice revenue per customer reflects industry competition which has resulted in lower pricing for voice services as well as growth in family plans and service plans with enhanced coverage areas and value (such as free incoming calls, free mobile-to-mobile and unlimited minutes). Also, decreases in the prepay customer base and the average revenue per prepay customer contributed to a decline in prepay voice revenues. U.S. Cellular expects continued pressure on revenues from voice services in the foreseeable future due to industry competition related to service plan offerings.

Inbound roaming revenues

The decrease in Inbound roaming revenues in 2009 was due primarily to a decline in roaming revenues from the combined entity of Verizon Wireless ("Verizon") and Alltel Corporation ("Alltel"). In January 2009, Verizon acquired Alltel. As a result of this transaction, the network footprints of Verizon and Alltel were combined. This has resulted in a decrease in inbound roaming revenues for U.S. Cellular, since the combined Verizon and Alltel entity has reduced its usage of U.S. Cellular's network in certain coverage areas that were used by Verizon and Alltel (as separate entities). U.S. Cellular anticipates that inbound roaming revenues will stabilize in 2010 compared to 2009 due to the positive impact of increasing minutes of use and increasing data usage from U.S. Cellular's roaming partners, partially offset by the negative impact of decreasing rates per minute or kilobyte of use.

In 2008, the increase in Inbound roaming revenues was related primarily to higher usage for both voice and data products and services, partially offset by a decline in rates per minute or kilobyte of use with key roaming partners. The increase in inbound usage was driven primarily by the overall growth in the number of customers and higher usage per customer throughout the wireless industry, including usage related to both voice and data products and services, which led to an increase in inbound traffic from other wireless carriers.

Other revenues

The increases in Other revenues in 2009 and 2008 were due primarily to increases in amounts that were received from the USF for states in which U.S. Cellular has been designated as an ETC. U.S. Cellular was eligible to receive ETC funds in sixteen states in 2009 and 2008 and eleven states in 2007. ETC revenues recorded in 2009, 2008 and 2007 were $150.7 million, $127.5 million and $98.0 million, respectively.

In May 2008, the FCC adopted a state-by-state temporary cap to funding for competitive ETCs based on the funding level available as of March 31, 2008. The cap has had the effect of reducing the amount of support that U.S. Cellular would otherwise have been eligible to receive. During 2010, the FCC will likely issue a notice of proposed rulemaking to consider reform of the USF program in conjunction with the issuance of a National Broadband Plan in March 2010. Adoption of a USF reform proposal by the FCC could have a significant, and adverse, impact on the amount of support, if any, wireless ETCs continue to receive. As a result U.S. Cellular's ETC revenues may decline significantly in future periods.

Equipment sales revenues

Equipment sales revenues include revenues from sales of handsets and related accessories to both new and existing customers, as well as revenues from sales of handsets and accessories to agents. All equipment sales revenues are recorded net of rebates.

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U.S. Cellular strives to offer a competitive line of quality handsets to both new and existing customers. U.S. Cellular's customer retention efforts include offering new handsets, such as smartphones and premium handsets, at discounted prices to existing customers as the expiration date of the customer's service contract approaches. U.S. Cellular also continues to sell handsets to agents; this practice enables U.S. Cellular to provide better control over the quality of handsets sold to its customers, establish roaming preferences and earn quantity discounts from handset manufacturers which are passed along to agents. U.S. Cellular anticipates that it will continue to sell handsets to agents in the future.

The decrease in 2009 Equipment sales revenues was driven primarily by a decline of 8% in average revenue per handset sold due to aggressive promotional pricing across all categories of handsets, partially offset by an increase in the total number of handsets sold. The increase in 2008 Equipment sales revenues was driven by an increase of 10% in average revenue per handset sold, primarily reflecting the sale of more expensive handsets with expanded capabilities, including smartphones and premium handsets.

Operating Expenses

System operations expenses (excluding Depreciation, amortization and accretion)

System operations expenses (excluding Depreciation, amortization and accretion) include charges from wireline telecommunications service providers for U.S. Cellular's customers' use of their facilities, costs related to local interconnection to the wireline network, charges for maintenance of U.S. Cellular's network, long-distance charges, outbound roaming expenses and payments to third-party data product and platform developers.

Key components of the overall increases in system operations expenses were as follows:

- Maintenance, utility and cell site expenses increased $14.4 million, or 5%, in 2009 and $24.6 million, or 9% in 2008, driven primarily by increases in the number of cell sites within U.S. Cellular's network. The number of cell sites totaled 7,279 in 2009, 6,877 in 2008 and 6,383 in 2007, as U.S. Cellular continued to grow by expanding and enhancing coverage in its existing markets. In 2008 and 2007, growth also included acquisitions of existing wireless operations. The increase in 2009 and 2008 also was due to an increase in software maintenance costs to support rapidly growing data needs.

- Expenses incurred when U.S. Cellular's customers used other carriers' networks while roaming increased $4.3 million, or 2%, in 2009 and $28.0 million, or 17%, in 2008. The increase in 2009 was due primarily to higher data usage. The increase in 2008 was due to an increase in roaming minutes of use driven by customer migration to national and wide area plans.

- In 2009, the cost of network usage on U.S. Cellular's systems decreased $6.1 million, or 2%, due primarily to reduced interconnection costs, which reflected a change in estimate during the fourth quarter (as disclosed in Note (4) to the Consolidated Quarterly Information (Unaudited) below), partially offset by an increase in data usage. In 2008, cost of network usage increased $14.4 million, or 5%, as voice and data usage on U.S. Cellular's systems increased driven primarily by continued migration to voice plans with a larger number of packaged minutes, text messaging plans, and other data offerings. In both years, data network and developer costs also increased due to the increase in data usage.

U.S. Cellular expects total system operations expenses to increase in the foreseeable future, driven by the following factors:

- Increases in the number of cell sites and other network facilities within U.S. Cellular's systems as it continues to add capacity and enhance quality;

- Continued expansion of 3G services to additional markets; and

- Increases in total customer usage, driven by text messaging and other data usage, both on U.S. Cellular's network and by U.S. Cellular's customers on other carriers' networks when roaming.

Cost of equipment sold

Cost of equipment sold remained relatively flat in 2009 compared to 2008. A reduction in the average cost per handset sold, reflecting lower overall purchase costs, was offset by an increase in the total number of handsets sold. Cost of equipment sold increased in 2008 due primarily to a 13% increase in the average cost per handset sold as a result of sales of more expensive handsets with expanded capabilities, including smartphones and premium handsets.

U.S. Cellular expects loss on equipment, defined as equipment sales revenues less cost of equipment sold, to increase in the foreseeable future as wireless carriers continue to use handset availability and pricing as a means of competitive differentiation. New handsets with expanded capabilities, particularly smartphones and premium handsets, generally have higher purchase costs for carriers which, due to competitive market conditions, generally cannot be recovered through proportionately higher selling prices to customers.

Selling, general and administrative expenses

Selling, general and administrative expenses include salaries, commissions and expenses of field sales and retail personnel and facilities; telesales department salaries and expenses; agent commissions and related expenses; corporate marketing and merchandise management; and advertising. Selling, general and administrative expenses also include bad debts expense, costs of operating customer care centers and corporate expenses.

Key components of the net increases in Selling, general and administrative expenses were as follows:

2009—

- General and administrative expenses increased $57.4 million, or 7%, due primarily to higher bad debts expense as a result of higher bad debt write-offs and a change in estimate during the fourth quarter (as disclosed in Note (4) to the Consolidated Quarterly Information (Unaudited) below); higher employee related expenses; costs of the Battery Swap program; and investments in multi-year initiatives as described in the Overview section. Partially offsetting these and other increases were lower USF contributions (most of the USF contribution expenses are offset by revenues for amounts passed through to customers).

- Advertising expenses decreased $18.3 million, or 7%. Advertising expenses in 2008 included expenditures related to the launch in June 2008 of a new branding campaign, Believe in Something Better®.

- Other selling and marketing expenses increased $8.6 million, or 2%, reflecting higher commissions due to a greater number of retail sales and renewals.

2008—

- General and administrative expenses increased $63.3 million, or 8%, due to increases in employee related expenses; increases related to bad debts expense (reflecting both higher revenues and higher bad debts as a percent of revenues); and increases in USF contributions and other regulatory fees and taxes. Partially offsetting these expenses were decreases in consulting and outsourcing expenses and billing expenses.

- Advertising expenses increased $47.3 million, or 21%, due primarily to an increase in media purchases, including expenditures related to the launch in June 2008 of a new branding campaign, Believe in Something Better®.

- Other selling and marketing expenses increased $31.9 million, or 6%, reflecting more retail sales associates, higher retail facilities expenses and higher commissions due to a greater number of retail sales and renewals.

U.S. Cellular expects Selling, general and administrative expenses to increase in the foreseeable future driven primarily by increases in expenses associated with acquiring, serving and retaining customers, as well as costs related to its multi-year initiatives discussed previously.

Depreciation, amortization and accretion

Depreciation, amortization and accretion decreased $6.3 million, or 1%, due primarily to fully depreciating Time Division Multiple Access ("TDMA") and analog network equipment in 2008, partially offset by accelerating depreciation of certain cell site and switch equipment in 2009. U.S. Cellular discontinued its TDMA-based service in 2009; in connection with such discontinuance, property, plant and equipment in service and accumulated depreciation of $452.0 million were eliminated from the Consolidated Balance Sheet.

See "Financial Resources" and "Liquidity and Capital Resources" for a discussion of U.S. Cellular's capital expenditures.

Loss on impairment of intangible assets

U.S. Cellular recognized impairment losses on licenses of $14.0 million and $386.7 million in 2009 and 2008, respectively. The impairment losses on licenses in 2009 were as a result of the annual impairment assessment of licenses and goodwill performed during the fourth quarter of 2009. The 2008 impairment loss was attributable to the deterioration in the credit and financial markets and the accelerated decline in the overall economy in the fourth quarter of 2008. These factors impacted U.S. Cellular's calculation of the estimated fair value of licenses in the fourth quarter of 2008 through the use of a higher discount rate when projecting future cash flows and lower than previously projected earnings in the wireless industry.

In 2007, $20.8 million of the impairment loss was recognized in conjunction with the exchange of personal communication licenses with Sprint Nextel. Of the remaining 2007 impairment loss, $2.1 million related to other licenses and $1.9 million related to impairments of customer lists.

See the section below entitled, "Application of Critical Accounting Policies and Estimates—Goodwill and Licenses" for a further discussion of the 2009 and 2008 licenses impairments.

Loss on asset disposals, net

These amounts represent charges related to disposals of assets, trade-ins of older assets for replacement assets and other retirements of assets from service. In 2007, U.S. Cellular conducted a physical inventory of its significant cell site and switching assets. As a result, Loss on asset disposals, net included a charge of $14.6 million in 2007 to reflect the results of the physical inventory and related valuation and reconciliation.

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RESULTS OF OPERATIONS—WIRELINE

TDS operates its wireline operations through TDS Telecom, a wholly owned subsidiary. The following table summarizes operating data for TDS Telecom's ILEC and CLEC operations:

As of December 31,	2009	2008	2007
ILEC			
Equivalent access lines(1)	775,900	776,700	762,700
Physical access lines(2)	536,300	566,200	585,600
High-speed data customers	208,300	178,300	143,800
Managed IP stations	1,900	600	—
Long-distance customers	362,800	347,000	345,200
CLEC			
Equivalent access lines(3)	355,900	393,000	435,000
High-speed data customers	36,900	40,800	43,900
Managed IP stations	12,000	2,100	—
Full-time equivalent TDS Telecom employees	2,547	2,703	2,703

(1) In 2009 and 2008, TDS Telecom acquired 8,200 and 18,400 equivalent access lines, respectively, in ILEC acquisitions.

(2) In 2009 and 2008, TDS Telecom acquired 6,300 and 14,600 physical access lines, respectively, in ILEC acquisitions.

(3) The decline in 2009 and 2008 is primarily the result of a shift in marketing focus from residential and commercial customers to commercial customers.

TDS Telecom

Components of Operating Income

Year Ended December 31,	2009	Increase/ (Decrease)	Percentage Change	2008	Increase/ (Decrease)	Percentage Change	2007
			(Dollars in thousands)				
Operating revenues							
ILEC revenues	$ 599,527	$ (11,507)	(2)%	$ 611,034	$ (18,949)	(3)%	$ 629,983
CLEC revenues	199,375	(20,627)	(9)%	220,002	(16,527)	(7)%	236,529
Intra-company elimination	(9,050)	(2,296)	(34)%	(6,754)	(453)	(7)%	(6,301)
TDS Telecom operating revenues	789,852	(34,430)	(4)%	824,282	(35,929)	(4)%	860,211
Operating expenses							
ILEC expenses	510,142	23,669	5%	486,473	(16,120)	(3)%	502,593
CLEC expenses	196,195	(6,124)	(3)%	202,319	(20,398)	(9)%	222,717
Intra-company elimination	(9,050)	(2,296)	(34)%	(6,754)	(453)	(7)%	(6,301)
TDS Telecom operating expenses	697,287	15,249	2%	682,038	(36,971)	(5)%	719,009
TDS Telecom operating income	$ 92,565	$ (49,679)	(35)%	$ 142,244	$ 1,042	1%	$ 141,202

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ILEC Operations

Components of Operating Income

Year Ended December 31,	2009	Increase/ (Decrease)	Percentage Change	2008	Increase/ (Decrease)	Percentage Change	2007
			(Dollars in thousands)				
Operating revenues							
Voice revenues	$ 187,223	$ (16,149)	(8)%	$ 203,372	$ (15,516)	(7)%	$ 218,888
Data revenues	103,682	13,623	15%	90,059	17,041	23%	73,018
Network access revenues	271,276	(7,208)	(3)%	278,484	(22,803)	(8)%	301,287
Miscellaneous revenues	37,346	(1,773)	(5)%	39,119	2,329	6%	36,790
Total operating revenues	599,527	(11,507)	(2)%	611,034	(18,949)	(3)%	629,983
Operating expenses							
Cost of services and products (excluding depreciation, amortization and accretion reported below)	194,030	9,745	5%	184,285	(9,476)	(5)%	193,761
Selling, general and administrative expenses	171,250	4,463	3%	166,787	(8,605)	(5)%	175,392
Depreciation, amortization and accretion	142,913	7,978	6%	134,935	1,495	1%	133,440
Loss on asset disposals, net	1,949	1,483	>100%	466	466	N/M	—
Total operating expenses	510,142	23,669	5%	486,473	(16,120)	(3)%	502,593
Total operating income	$ 89,385	$ (35,176)	(28)%	$ 124,561	$ (2,829)	(2)%	$ 127,390

N/M—Percentage change not meaningful

Operating Revenues

Voice revenues (charges for the provision of local telephone exchange service and reselling long-distance service).

The decreases in Voice revenues in 2009 and 2008 were driven by successive declines in the average physical access lines served of 6% and 5%, which negatively impacted local service revenues by $10.6 million and $9.1 million, respectively. Second line disconnections accounted for 15% of the physical access line decline in 2009 and 28% in 2008 and in both years were significantly influenced by subscribers converting to digital subscriber line ("DSL") service. Additionally, local service and long-distance revenues decreased $9.9 million and $5.8 million in 2009 and 2008, respectively, due to discounts attributed to bundled offerings, which encourage customers to take multiple products such as local service, long-distance, advanced calling features and voice messaging services at a reduced price.

Acquisitions added $2.6 million and $1.3 million to Voice revenues in 2009 and 2008, respectively.

Data revenues (charges for providing Internet and other data related services).

The growth in Data revenues in 2009 and in 2008 was primarily due to the growth in average DSL customers which grew by 18% and 27% in 2009 and 2008, respectively. These additional customers resulted in increased revenues of $13.7 million in 2009 and $14.9 million in 2008. Customers converting to higher DSL speeds drove the average revenue per customer higher, increasing revenues, net of bundling discounts, by $0.9 million and $4.2 million in 2009 and 2008 respectively. Increase in usage of other data products increased revenues by $1.6 million in 2009 and $2.0 million in 2008. These increases were partially offset by decreases in dial-up Internet revenue of $4.0 million and $2.5 million in 2009 and 2008, respectively, due to lower average number of subscribers partially offset by higher rates.

Acquisitions added $1.4 million and $0.5 million to Data revenues in 2009 and 2008, respectively.

Network access revenues (compensation from other telecommunication carriers for carrying long-distance traffic on TDS Telecom's local telephone network and for local interconnection).

Network access revenues decreased $7.0 million in 2009 and $11.3 million in 2008 due to declines in intra-state minutes of use of 12% and 17%, respectively. A reduction in expenses recoverable through the interstate pools also reduced access revenues by $1.6 million in 2009 and $3.4 million in 2008. Revenues from special access circuits also declined $3.0 million in 2009 due to customers choosing lower cost alternatives. Lower interstate usage also lowered 2009 access revenues by $1.9 million. Partially offsetting the decline for 2009 was the settlement of the National Exchange Carrier Association's interstate revenue pool for the years 2003 through 2006, which contributed $1.7 million to the 2009 revenues. In addition, TDS Telecom's election in July of 2007 to exit certain national network access pools resulted in an additional $4.1 million reduction in access revenues in 2008. The decision to exit these pools correspondingly reduced operating expenses by $7.8 million in 2008, and resulted in a positive impact on operating income of $3.7 million in 2008.

Acquisitions added $5.3 million and $1.9 million to Access revenues in 2009 and 2008, respectively.

Miscellaneous revenues (charges for leasing, selling, installing and maintaining customer premise equipment, providing billing and collection services, and selling direct broadcast satellite service as well as other miscellaneous services).

Miscellaneous revenues are down primarily due to a decline in business systems sales. Acquisitions added $0.9 million and $0.5 million to Miscellaneous revenues in 2009 and 2008, respectively.

Operating Expenses

Cost of services and products

The increase in Cost of services and products in 2009 was primarily driven by the increased offering of incentives to attract new customers of $3.0 million and increased circuit bandwidth to support the growth in high-speed data products of $4.9 million. Higher employee related costs also contributed $1.4 million (including the impacts of severance and employee compensation modifications) to the increase. Cost of goods sold related to business systems sales decreased $1.6 million.

The reduction in cost of services and products expense in 2008 was primarily due to TDS Telecom's election to exit certain national network access pools in July 2007. As noted above under "Network access revenues," this decision decreased revenues by $4.1 million in 2008, while also reducing contributions to the pool by $7.8 million, resulting in a positive impact on operating income of $3.7 million. Additionally, the discontinuance of the accounting for regulatory enterprises prescribed by FASB Accounting Standards Codification 980 Regulated Operations ("FASB ASC 980") decreased costs by $1.0 million from 2007 to 2008. Under FASB ASC 980, telecommunications companies were required to recognize expenses associated with customer activation as incurred. Upon discontinuance of FASB ASC 980, costs associated with customer activation are required to be deferred and recognized over the estimated life of the subscriber.

Acquisitions added $3.5 million and $1.3 million to Cost of services and products in 2009 and 2008, respectively.

Selling, general and administrative expenses

The increase in Selling, general and administrative expenses in 2009 was primarily due to an increase in legal, sales and excise tax expenses arising from discrete matters totaling $3.1 million and severance of $1.8 million as a result of workforce reduction. Partially offsetting these charges were discrete events related to employee compensation modifications which reduced expenses $2.0 million. Also partially offsetting these increases were decreases in property taxes of $1.6 million, as well as a reduction in bad debts expense of $1.1 million.

The decrease in 2008 was primarily related to a reduction in payroll related costs of $8.2 million as well as other cost reduction efforts of $3.6 million. Partially offsetting these decreases was an increase in bad debt expense of $3.2 million caused by the reclassification of bad debts expense from miscellaneous revenues (where it was shown as a reduction in revenues) to an increase in Selling, general and administrative expense, as a result of the discontinuance of the application of FASB ASC 980 in the third quarter of 2007.

Acquisitions added $2.8 million and $1.0 million to Selling, general and administrative expense in 2009 and 2008, respectively.

Depreciation, amortization and accretion expense

ILEC acquisitions increased depreciation, amortization and accretion expense $4.5 million and $1.6 million in 2009 and 2008, respectively.

CLEC Operations

Components of Operating Income

Year Ended December 31,	2009	Increase/ (Decrease)	Percentage Change	2008	Increase/ (Decrease)	Percentage Change	2007
			(Dollars in thousands)				
Retail revenues	$ 178,611	$ (18,286)	(9)%	$ 196,897	$ (12,235)	(6)%	$ 209,132
Wholesale revenues	20,764	(2,341)	(10)%	23,105	(4,292)	(16)%	27,397
Total operating revenues	199,375	(20,627)	(9)%	220,002	(16,527)	(7)%	236,529
Cost of services and products (excluding depreciation, amortization and accretion reported below)	104,057	(5,400)	(5)%	109,457	(7,155)	(6)%	116,612
Selling, general and administrative expenses	67,283	(1,757)	(3)%	69,040	(13,043)	(16)%	82,083
Depreciation, amortization and accretion	24,403	972	4%	23,431	(591)	(2)%	24,022
Loss on asset disposals, net	452	61	16%	391	391	N/M	—
Total operating expenses	196,195	(6,124)	(3)%	202,319	(20,398)	(9)%	222,717
Total operating income	$ 3,180	$ (14,503)	(82)%	$ 17,683	$ 3,871	28%	$ 13,812

N/M—Percentage change not meaningful

Prior years amounts have been reclassified to conform to current year presentation.

Operating Revenues

Retail revenues (charges to CLEC customers for the provision of direct telecommunication services).

Average CLEC equivalent access lines in service decreased 10% in 2009 and 8% in 2008, which resulted in decreases in Retail revenues of $19.4 million and $15.4 million, respectively. Average residential equivalent access lines decreased 26% in 2009 and 21% in 2008 as the CLEC operation continues to implement its strategic shift towards serving primarily a commercial subscriber base. The average equivalent access lines related to commercial customers declined 4% and 1% for the same periods. Average revenue per subscriber increased in both 2009 and 2008 resulting in higher revenues of $1.1 million and $3.5 million, respectively.

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Wholesale revenues (charges to other carriers for utilizing TDS Telecom's network infrastructure).

The decline in Wholesale revenues in 2009 was primarily driven by a 27% reduction in minutes of use partially offset by an increase in average rates resulting from a more favorable mixture of traffic carried. The decline in Wholesale revenues in 2008 was similarly driven by a 22% reduction in minutes of use.

Operating Expenses

Cost of services and products

Cost of services decreased by $7.0 million and $3.3 million in 2009 and 2008, respectively, primarily due to reductions in purchased network services, which have been driven by the decline in the residential customer base. The decrease in 2009 was partially offset by additional expenses of $1.6 million associated with the provisioning of managed Internet Protocol service to customers. Settlements with two inter-exchange carriers related to the pricing of certain services also reduced the cost of services in 2008 by $2.4 million. Additionally, lower circuit expenses primarily due to improvements made in the CLEC's network design decreased 2008 expenses by $1.1 million.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased in 2009 due primarily to decreased Universal Service Fund contribution expense of $1.3 million caused by the decreased customer base. Decreases in bad debts contributed an additional $0.6 million of cost reduction.

The decrease in 2008 was primarily due to cost containment efforts, primarily a reduction in payroll costs, which reduced expenses by $7.9 million in 2008. Also, residential advertising expense decreased $3.1 million as TDS Telecom realigned its expenditures to focus mainly on its commercial markets. In addition, a restructuring of commission compensation decreased expenses $2.0 million.

Depreciation, amortization and accretion

Depreciation, amortization and accretion expense increased $1.0 million during 2009 primarily due to accelerated depreciation expense on certain circuit equipment due to technological obsolescence.

INFLATION

Management believes that inflation affects TDS' business to no greater or lesser extent than the general economy.

RECENT ACCOUNTING PRONOUNCEMENTS

In general, recent accounting pronouncements did not have and are not expected to have a significant effect on TDS' financial condition and results of operations.

See Note 1—Summary of Significant Accounting Policies and Recent Accounting Pronouncements in the Notes to Consolidated Financial Statements for information on recent accounting pronouncements.

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FINANCIAL RESOURCES

TDS operates a capital- and marketing-intensive business. TDS utilizes cash from its operating activities, cash proceeds from divestitures and disposition of investments, short-term credit facilities, long-term debt financing and cash on hand to fund its acquisitions (including licenses), construction costs, operating expenses and share repurchases. Cash flows may fluctuate from quarter to quarter and year to year due to seasonality, the timing of acquisitions, capital expenditures and other factors. The table below and the following discussion in this Financial Resources section summarize TDS' cash flow activities in 2009, 2008 and 2007.

	2009	2008	2007
		(Dollars in thousands)	
Cash flows from (used in)			
Operating activities	$ 1,102,594	$ 848,892	$ 941,032
Investing activities	(781,446)	(902,752)	(627,855)
Financing activities	(427,465)	(343,277)	(152,056)
Net increase (decrease) in cash and cash equivalents	$ (106,317)	$ (397,137)	$ 161,121

Cash Flows From Operating Activities

The following table presents operating income before certain non-cash items and is included for purposes of analyzing changes in cash flows from operating activities:

	2009	2008	2007
		(Dollars in thousands)	
Operating income	$ 407,806	$ 128,154	$ 527,898
Non-cash items			
Depreciation, amortization and accretion	749,970	750,077	748,136
Loss on impairment of intangible assets	14,000	414,376	24,923
Loss on asset disposals, net	17,765	24,296	34,016
Operating income before certain non-cash items(1)	$ 1,189,541	$ 1,316,903	$ 1,334,973

(1) Operating income before certain non-cash items is a segment measure reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. TDS believes this measure provides useful information to investors regarding TDS' financial condition and results of operations because it highlights certain key cash and non-cash items and their impacts on cash flows from operating activities. See Note 19—Business Segment Information in the Notes to Consolidated Financial Statements. This amount may also be commonly referred to by management as operating cash flow.

Cash flows from operating activities in 2009 were $1,102.6 million, an increase of $253.7 million from 2008. Significant changes included the following:

- Operating cash flow, as shown in the table above, decreased by $127.4 million.
- A $417.0 million decrease in income tax payments. Income tax payments, net of refunds, were $53.0 million and $470.0 million in 2009 and 2008, respectively. Income tax payments were higher in 2008 compared to 2009 primarily due to tax gains realized on the disposition of Deutsche Telekom marketable equity securities and related variable prepaid forward contracts during 2008; as well as a year-over-year decrease in forecasted income and an overpayment of income taxes in 2008.

- In 2009, a $38.0 million deposit was paid to the Internal Revenue Service (IRS) to eliminate any potential interest due to the IRS subsequent to the date of the deposit. The deposit was recorded in Change in other assets and liabilities in the Consolidated Statement of Cash Flows in 2009. See Note 4—Income Taxes for additional information.

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Cash flows from operating activities in 2008 were $848.9 million, a decrease of $92.1 million from 2007. Significant changes included the following:

- A $160.3 million decrease in interest and dividend income offset by a $70.8 million decrease in interest expense. See "Results of Operations—Consolidated" for an explanation of these changes;
- A $30.9 million decrease in income tax payments. Income tax payments in 2008 and 2007 were $470.0 million and $500.9 million, respectively. The decrease in income tax payments during 2008 was primarily attributable to the timing of the disposition of marketable equity securities and the settlement of variable prepaid forward contracts during 2008 relative to 2007; and
- A $31.0 million decrease in the net cash flow related to Changes in assets and liabilities from operations other than accrued taxes. Such changes in assets and liabilities required cash of $96.1 million in 2008 and $65.1 million in 2007. The most significant change related to inventory which required $17.1 million in 2008 and provided $16.8 million in 2007. The change was attributable to more handsets on hand at December 31, 2008 relative to December 31, 2007, partially as a result of additional retail stores that commenced operations during 2008.

Cash Flows From Investing Activities

TDS makes substantial investments to acquire wireless licenses and properties and to construct, operate and upgrade modern high-quality communications networks and facilities as a basis for creating long-term value for shareholders. In recent years, rapid changes in technology and new opportunities have required substantial investments in potentially revenue-enhancing and cost-reducing upgrades to TDS' networks.

Cash used for property, plant and equipment and system development expenditures totaled $671.2 million in 2009, $734.9 million in 2008 and $699.6 million in 2007. These expenditures were made to provide for customer and usage growth, to upgrade service and to take advantage of service-enhancing and cost-reducing technological developments in order to maintain competitive services.

- U.S. Cellular's capital expenditures totaled $546.8 million in 2009, $585.6 million in 2008 and $565.5 million in 2007 representing expenditures to construct cell sites, increase capacity in existing cell sites and switches, upgrade technology including the overlay of 3G technology in certain markets, develop new and enhance existing office systems, and construct new and remodel existing retail stores.
- TDS Telecom's capital expenditures for its ILEC operations totaled $98.3 million in 2009, $120.9 million in 2008 and $111.8 million in 2007 representing expenditures to upgrade plant and equipment to provide enhanced services. TDS Telecom's capital expenditures for its CLEC operations totaled $22.2 million in 2009, $19.8 million in 2008 and $16.4 million in 2007 for switching and other network facilities; and
- Corporate and other capital expenditures totaled $3.9 million in 2009, $8.6 million in 2008 and $5.9 in 2007.

Acquisitions required cash payments of $29.3 million in 2009, $389.2 million in 2008 and $23.8 million in 2007, respectively, as summarized below:

Cash Payment for Acquisitions(1)	2009	2008	2007
		(Dollars in millions)	
Auction 73 licenses(2)	$ —	$ 300.5	$ —
All other U.S. Cellular licenses	15.8	32.3	3.2
TDS Telecom ILEC business acquisitions	13.2	47.4	—
U.S. Cellular business acquisitions(3)	—	8.9	18.3
Other	0.3	0.1	2.3
Total	$ 29.3	$ 389.2	$ 23.8

(1) Cash amounts paid for the acquisitions may differ from the purchase price due to cash acquired in the transactions and working capital adjustments as of December 31 of the respective year.

(2) King Street Wireless L.P., an entity in which a subsidiary of U.S. Cellular is a limited partner with a 90% partnership interest, made these payments. U.S. Cellular loaned these funds to the partnership and the general partner and made direct capital investments to fund the auction payment.

(3) For purposes of presentation in this table, this line item includes the purchase of an entire business or the purchase of additional interests in entities already partially owned by U.S. Cellular.

TDS realized cash proceeds of $226.6 million in 2008 from the sale of Deutsche Telekom Ordinary Shares offset by $17.4 million in cash payments to settle the collar portion of certain variable prepaid forward contracts related to such shares. TDS settled these variable prepaid forward contracts through both the delivery of Deutsche Telekom Ordinary Shares and cash. In addition, in 2008, TDS realized cash proceeds of $32.4 million from the disposition of Rural Cellular Corporation ("RCC") Common Shares held by TDS in conjunction with Verizon Wireless' acquisition of RCC.

TDS realized cash proceeds of $92.0 million in 2007 related to the sale of VeriSign Inc. Common Shares, a portion of Deutsche Telekom Ordinary Shares and Vodafone American Depository Receipts ("ADRs") in conjunction with the settlements of variable prepaid forward contracts related to such shares. TDS settled these variable prepaid forward contracts through the delivery of a substantial majority of the VeriSign, Deutsche Telekom and Vodafone shares subject to such forward contracts, and then sold the remaining shares subject to these same contracts.

See Note 10—Marketable Equity Securities and Variable Prepaid Forward Contracts in the Notes to Consolidated Financial Statements for additional details on 2008 and 2007 marketable equity securities transactions and variable prepaid forward contract settlements.

TDS invested $109.2 million and $27.4 million in certificates of deposit in 2009 and 2008. No certificates of deposit were purchased in 2007. Cash proceeds of $23.7 million were received in 2009 from redemption of certain certificates of deposit.

Cash Flows From Financing Activities

Cash flows from financing activities primarily reflect issuances and repayments on revolving credit facilities, proceeds from issuance of long-term debt, cash used for repayments of long-term debt, distributions to noncontrolling interests, repurchases of TDS and U.S. Cellular shares, and cash proceeds from reissuance of common shares pursuant to stock-based compensation plans. TDS has used short-term debt to finance acquisitions, to repurchase shares and for other general corporate purposes. Cash flows from operating activities, proceeds from settlements of variable prepaid forward contracts and, from time to time, the sale of non-strategic wireless and other investments have been used to reduce debt.

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TDS' payment to settle the debt portion of certain variable prepaid forward contracts related to Deutsche Telekom Ordinary Shares totaled $47.4 million in 2008. All variable prepaid forward contracts were settled in 2008, and TDS did not settle any variable prepaid forward contracts by payment of cash in 2007.

There were no short-term borrowings or repayments during 2009. Borrowings under revolving credit facilities primarily to fund capital expenditures and licenses totaled $100.0 million in 2008 and $25.0 million in 2007, while repayments under the revolving credit facilities totaled $100.0 million in 2008 and $60.0 million in 2007.

In 2009, U.S. Cellular redeemed its outstanding 8.75% senior notes for their principal amount of $130.0 million and retired its 9% installment notes payable in the amount of $10.0 million. There were no redemptions of long-term debt in 2008 or 2007.

The re-issuance of TDS and U.S. Cellular treasury shares in connection with employee benefits plans, net of tax payments made on behalf of stock award holders, provided $0.7 million in 2009, required $0.9 million in 2008 and provided $123.7 million in 2007. In certain situations, TDS and U.S. Cellular withhold shares that are issuable upon the exercise of stock options or the vesting of restricted shares to cover, and with a value equivalent to, the exercise price and/or the amount of taxes required to be withheld from the stock award holder at the time of the exercise or vesting. TDS and U.S. Cellular then pay the amount of the required tax withholdings to the taxing authorities in cash.

In 2009, TDS repurchased Special Common Shares and Common Shares for $176.6 million. In 2008, TDS repurchased Special Common Shares and Common Shares for $199.6 million. A total of $197.7 million was paid in cash before December 31, 2008 and $1.9 million was paid in January 2009. In 2007, TDS repurchased Special Common Shares for $126.7 million.

In 2009, U.S. Cellular repurchased Common Shares at an aggregate cost of $33.6 million. In 2008, U.S. Cellular repurchased Common Shares at an aggregate cost of $32.9 million. U.S. Cellular also received $4.6 million in 2008 from an investment banking firm for the final settlement of Accelerated Share Repurchases ("ASR") made in 2007. In 2007, U.S. Cellular purchased Common Shares for $87.9 million from an investment banking firm in connection with three ASR programs. As discussed above, in 2008, U.S. Cellular received $4.6 million from the investment banking firm in final settlement of the ASR programs; thus, the net cost of Common Shares purchased pursuant to such programs was $83.3 million. See Note 17—Common Stockholders' Equity in the Notes to Consolidated Financial Statements for additional information related to these transactions.

LIQUIDITY AND CAPITAL RESOURCES

TDS believes that existing cash balances, expected cash flows from operating activities and funds available under its new revolving credit facilities provide substantial liquidity and financial flexibility for TDS to meet its normal financing needs (including working capital, construction and development expenditures and share repurchases under approved programs) for the foreseeable future. In addition, TDS and its subsidiaries may have access to public and private capital markets to help meet their financing needs.

Consumer spending significantly impacts TDS' operations and performance. Factors that influence levels of consumer spending include: unemployment rates, increases in fuel and other energy costs, conditions in residential real estate and mortgage markets, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors. Changes in these and other economic factors could have a material adverse effect on demand for TDS' products and services and on TDS' financial condition and results of operations.

TDS cannot provide assurances that circumstances that could have a material adverse affect on its liquidity or capital resources will not occur. Economic conditions, changes in financial markets or other factors could restrict its liquidity and availability of financing on terms and prices acceptable to TDS, which could require TDS to reduce its construction, development, acquisition or share repurchase programs. Such reductions could have a material adverse effect on TDS' business, financial condition or results of operations.

Cash and Cash Equivalents

At December 31, 2009, TDS had $671.0 million in cash and cash equivalents, which include cash and short-term, highly liquid investments with original maturities of three months or less. The primary objective of TDS' cash and cash equivalents investment activities is to preserve principal. At December 31, 2009, TDS invested substantially all of its cash balances in money market funds that invested exclusively in short-term U.S. Treasury securities or repurchase agreements backed by U.S. Treasury securities. TDS monitors the financial viability of the money market funds in which it invests and believes that the credit risk associated with these investments is low.

Short-Term Investments

As of December 31, 2009 and 2008, TDS held certificates of deposit totaling $113.3 million and $27.7 million, respectively, which were included in Short-term investments in the Consolidated Balance Sheet. At December 31, 2009, these certificates of deposit had original maturities of between 120 days and one year on the dates TDS acquired these certificates of deposit and earn interest at annual rates between 0.50% and 1.75%.

Revolving Credit Facilities

TDS and U.S. Cellular have revolving credit facilities available for general corporate purposes. On June 30, 2009, TDS entered into a new $400 million revolving credit agreement with certain lenders and other parties and U.S. Cellular entered into a new $300 million revolving credit agreement with certain lenders and other parties. At December 31, 2009, there were no outstanding borrowings and $3.4 million of outstanding letters of credit, leaving $396.6 million available for use under the TDS revolving credit facility, and there were no outstanding borrowings and $0.2 million of outstanding letters of credit, leaving $299.8 million available for use under the U.S. Cellular revolving credit facility. In connection with U.S. Cellular's new revolving credit facility, TDS and U.S. Cellular entered into a subordination agreement dated June 30, 2009 together with the administrative agent for the lenders under U.S. Cellular's new revolving credit facility. At December 31, 2009, no U.S. Cellular debt was subordinated pursuant to this subordination agreement. See Note 14—Debt in the Notes to Consolidated Financial Statements for the details of these revolving credit facilities and the subordination agreement.

TDS' and U.S. Cellular's interest cost on their new revolving credit facilities is subject to increase if their current credit ratings from Standard & Poor's Rating Services, Moody's Investors Service and/or Fitch Ratings are lowered and is subject to decrease if the ratings are raised. The new credit facilities would not cease to be available nor would the maturity date accelerate solely as a result of a downgrade in TDS' or U.S. Cellular's credit rating. However, a downgrade in TDS' or U.S. Cellular's credit rating could adversely affect their ability to renew the new credit facilities or obtain access to other credit facilities in the future.

TDS' and U.S. Cellular's credit ratings as of December 31, 2009, and the dates that such ratings were issued/re-affirmed were as follows:

Moody's (re-affirmed September 21, 2009)	Baa2	—stable outlook
Standard & Poor's (re-affirmed September 18, 2009)	BBB-	—positive outlook
Fitch Ratings (issued August 20, 2009)	BBB+	—negative outlook

The continued availability of the new revolving credit facilities requires TDS and U.S. Cellular to comply with certain negative and affirmative covenants, maintain certain financial ratios and make representations regarding certain matters at the time of each borrowing. TDS and U.S. Cellular believe they were in compliance as of December 31, 2009 with all covenants and requirements set forth in their new revolving credit facilities.

Long-Term Financing

TDS and its subsidiaries' long-term debt and indentures do not contain any provisions resulting in acceleration of the maturities of outstanding debt in the event of a change in TDS' credit rating. However, a downgrade in TDS' credit rating could adversely affect its ability to obtain long-term debt financing in the future. TDS believes it and its subsidiaries were in compliance as of December 31, 2009 with all covenants and other requirements set forth in long-term debt indentures. TDS and U.S. Cellular have not failed to make nor do they expect to fail to make any scheduled payment of principal or interest under such indentures.

The long-term debt principal payments due for the next five years represent less than 1% of the total long-term debt obligation at December 31, 2009. Refer to the section Market Risk—Long-Term Debt for additional information regarding required principal payments and the weighted average interest rates related to TDS' long-term debt.

TDS, at its discretion, may from time to time seek to retire or purchase its outstanding debt through cash purchases and/or exchanges for other securities, in open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

In December 2009, U.S. Cellular redeemed in whole its $130.0 million senior notes which carried an interest rate of 8.75%. These notes were scheduled to mature in 2032.

Capital Expenditures

U.S. Cellular's capital expenditures for 2010 are expected to be approximately $600 million. These expenditures are expected to be for the following general purposes:

- Expand and enhance U.S. Cellular's coverage in its service areas;
- Provide additional capacity to accommodate increased network usage by current customers;
- Overlay 3G technology in certain markets;
- Enhance U.S. Cellular's retail store network;
- Develop and enhance office systems; and
- Develop new billing and other customer management related systems and platforms.

TDS Telecom's anticipated capital expenditures for 2010 are expected to be approximately $140 million to upgrade plant and equipment to provide enhanced services.

TDS plans to finance its construction program for 2010 using cash flows from operating activities, existing cash balances, and, if necessary, short-term debt.

Suppliers

TDS depends upon certain key suppliers to provide it with handsets, equipment, services or content to continue its network build and upgrade and to operate its business. TDS does not have operational or financial control over any of such key suppliers and has limited influence with respect to the manner in which these key suppliers conduct their businesses. If these key suppliers experience financial difficulties and are unable to provide equipment, services or content to TDS on a timely basis or cease to provide such equipment, services or content or if such key suppliers otherwise fail to honor their obligations to TDS, TDS may be unable to maintain and upgrade its network or provide services to its customers in a competitive manner, or could suffer other disruptions to its business. In that event, TDS' business, financial condition or results of operations could be adversely affected. TDS monitors the financial condition of its key suppliers through its risk management process.

Acquisitions, Divestitures and Exchanges

TDS assesses its existing wireless and wireline interests on an ongoing basis with a goal of improving the competitiveness of its operations and maximizing its long-term return on investment. As part of this strategy, TDS reviews attractive opportunities to acquire additional wireless operating markets, telecommunications companies, wireless spectrum and related service businesses. In addition, TDS may seek to divest outright or include in exchanges for other wireless interests those wireless interests that are not strategic to its long-term success. TDS also from time to time may be engaged in negotiations relating to the acquisition, divestiture or exchange of companies, strategic properties or wireless spectrum. In general, TDS may not disclose such transactions until there is a definitive agreement. See Note 8—Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements for details on significant transactions in 2009, 2008 and 2007.

Variable Interest Entities

TDS consolidates certain entities because they are "variable interest entities" under accounting principles generally accepted in the United States of America ("GAAP"). See Note 6—Variable Interest Entities in the Notes to Consolidated Financial Statements for the details of these variable interest entities. TDS may elect to make additional capital contributions and/or advances to these variable interest entities in future periods in order to fund their operations.

Share Repurchase Programs

TDS and U.S. Cellular have repurchased and expect to continue to repurchase their Special Common Shares (TDS only) and Common Shares, subject to repurchase programs. For additional information related to the current TDS and U.S. Cellular repurchase authorizations and repurchases made during 2009, 2008 and 2007, see Note 17—Common Stockholders Equity in the Notes to Consolidated Financial Statements.

Contractual and Other Obligations

At December 31, 2009, the resources required for contractual obligations were as follows:

	Payments Due by Period				
	Total	Less than 1 Year	2 - 3 Years	4 - 5 Years	More than 5 Years
	(Dollars in millions)				
Long-term debt obligations(1)	$ 1,501.2	$ 2.2	$ 5.9	$ 0.1	$ 1,493.0
Interest payments on long-term debt obligations	2,967.1	107.3	214.5	213.9	2,431.4
Operating leases(2)	1,100.2	148.0	237.2	148.9	566.1
Capital leases	9.6	0.8	1.5	1.1	6.2
Purchase obligations(3)	777.8	451.8	206.8	79.4	39.8
	$ 6,355.9	$ 710.1	$ 665.9	$ 443.4	$ 4,536.5

(1) Includes current and long-term portions of debt obligations. The total long-term debt obligation differs from Long-term debt on the Consolidated Balance Sheet due to the $10.8 million unamortized discount related to U.S. Cellular's 6.7% senior notes and capital leases. See Note 14—Debt in the Notes to Consolidated Financial Statements.

(2) Represents the amounts due under non-cancellable long-term operating leases for the periods specified. See Note 16—Commitments and Contingencies in the Notes to Consolidated Financial Statements.

(3) Includes obligations payable under non-cancellable contracts, commitments for network facilities and services, agreements for software licensing and long-term marketing programs.

The table above does not include any liabilities related to "unrecognized tax benefits" as defined by GAAP because TDS is unable to predict the period of settlement of such liabilities. Such unrecognized tax benefits were $45.0 million at December 31, 2009. See Note 4—Income Taxes in the Notes to Consolidated Financial Statements for additional information on unrecognized tax benefits.

Off-Balance Sheet Arrangements

TDS has no transactions, agreements or other contractual arrangements with unconsolidated entities involving "off-balance sheet arrangements," as defined by Securities and Exchange Commission rules, that have or are reasonably likely to have a material current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Insurance

TDS has several commercial property and casualty insurance policies with a variety of subsidiary companies of American International Group, Inc. ("AIG"). These companies operate under the insurance regulations of various states including New York, Pennsylvania and Delaware. TDS has inquired into the ability of these AIG companies to meet their obligations in the event of a claim against these policies and has received assurance from AIG and TDS' insurance brokers that the companies remain able to meet these obligations. State insurance regulators and the rating agencies have issued press releases indicating the same. TDS did not have any significant property and casualty claims outstanding with these companies as of December 31, 2009. TDS continues to monitor the financial condition of these and other insurance providers.

Dividends

TDS paid quarterly dividends per share of $0.1075 in 2009, $0.1025 in 2008 and $0.0975 in 2007. TDS increased the dividend per share to $0.1125 in the first quarter of 2010. TDS has no current plans to change its policy of paying dividends.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

TDS prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). TDS' significant accounting policies are discussed in detail in Note 1—Summary of Significant Accounting Policies and Recent Accounting Pronouncements in the Notes to Consolidated Financial Statements.

Management believes the application of the following critical accounting policies and the estimates required by such application reflect its most significant judgments and estimates used in the preparation of TDS' consolidated financial statements. Management has discussed the development and selection of each of the following accounting policies and related estimates and disclosures with the Audit Committee of TDS' Board of Directors.

Goodwill and Licenses

As of December 31, 2009, the carrying values of TDS' goodwill and licenses were $707.8 million and $1,443.0 million, respectively. Licenses include those won by Carroll Wireless, Barat Wireless, King Street Wireless and Aquinas Wireless in various FCC auctions, as discussed in Note 6—Variable Interest Entities in the Notes to Consolidated Financial Statements.

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See Note 9—Licenses and Goodwill in the Notes to Consolidated Financial Statements for additional information related to goodwill and licenses activity in 2009 and 2008.

Goodwill and licenses must be assessed for impairment annually or more frequently if events or changes in circumstances indicate that such assets might be impaired.

The impairment test for goodwill is a two-step process. The first step compares the fair value of the reporting unit as identified to its carrying value. If the carrying amount exceeds the fair value, the second step of the test is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. To calculate the implied fair value of goodwill in this second step, an enterprise allocates the fair value of the reporting unit to all of the assets and liabilities of that reporting unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value was the price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amount assigned to the assets and liabilities of the reporting unit represents the implied fair value of goodwill. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss is recognized for that difference.

The impairment test for an intangible asset other than goodwill consists of comparing the fair value of the intangible asset to its carrying amount. If the carrying amount exceeds the fair value, an impairment loss is recognized for the difference.

Quoted market prices in active markets are the best evidence of fair value of an asset or reporting unit and are used when available. If quoted market prices are not available, the estimate of fair value is based on the best information available, including prices for similar assets and the use of other valuation techniques. Other valuation techniques include present value analysis, multiples of earnings or revenues, or similar performance measures. The use of these techniques involves assumptions by management about factors that are uncertain including future cash flows, the appropriate discount rate and other inputs. Different assumptions for these inputs could create materially different results.

As discussed below, TDS completed its required annual impairment assessment of goodwill and licenses for 2009 as of November 1. In connection with that assessment, TDS determined that no impairment existed related to goodwill, and recognized an impairment loss in the amount of $14.0 million related to licenses. There can be no assurance that upon review at a later date material impairment charges will not be required.

Historically, TDS completed the required annual impairment assessment of its licenses and goodwill in the second quarter of each year. Effective April 1, 2009, TDS adopted a new accounting policy whereby its annual impairment review of goodwill and indefinite-lived intangible assets will be performed as of November 1 instead of the second quarter of each year, as discussed in Note 1—Summary of Significant Accounting Policies and Recent Accounting Pronouncements in the Notes to Consolidated Financial Statements. Accordingly, TDS performed its annual impairment test for 2009 as of November 1, 2009 whereas its annual impairment test for 2008 was performed in the second quarter. In 2008, however, as a result of deterioration in the credit and financial markets and the accelerated decline in the overall economy in the fourth quarter of 2008, TDS performed another impairment assessment of licenses and goodwill as of December 31, 2008. Accordingly, the following discussion compares the impairment test as of November 1, 2009 to December 31, 2008.

Goodwill

U.S. Cellular

U.S. Cellular tests goodwill for impairment at the level of reporting referred to as a "reporting unit." For purposes of impairment testing of goodwill in 2009, U.S. Cellular identified five reporting units based on geographic service areas. There were no changes to U.S. Cellular's reporting units, the allocation of goodwill to U.S. Cellular's reporting units, or to U.S. Cellular's overall goodwill impairment testing methodology between its two most recent impairment testing dates, November 1, 2009 and December 31, 2008.

A discounted cash flow approach was used to value each reporting unit, using value drivers and risks specific to the current industry and economic markets. The cash flow estimates incorporated assumptions that market participants would use in their estimates of fair value. Key assumptions made in this process were the revenue growth rate, discount rate, and projected capital expenditures. These assumptions were as follows as of the two most recent impairment testing dates:

Key assumptions	November 1, 2009	December 31, 2008
Weighted-average expected revenue growth rate (next four years)	2.13%	2.69%
Weighted-average long-term and terminal revenue growth rate (after year four)	2.00%	2.00%
Discount rate	11.50%	10.50%
Average annual capital expenditures (millions)	$ 520	$ 556

The increase in the discount rate between December 31, 2008 and November 1, 2009 was primarily a result of the company-specific risk premium ("CSRP") applied to the cost of equity calculation. The selection of the higher CSRP was based on a variety of factors including the risks associated with the underlying projections relative to the market and the specific risk factors facing U.S. Cellular such as the highly concentrated and competitive nature of the market. U.S. Cellular believes a market participant would include this CSRP when estimating the discount rate.

As of November 1, 2009, the fair values of the reporting units exceeded their respective carrying values by amounts ranging from 41% to 101% of the respective carrying values. Therefore, no impairment of goodwill existed. Given that the fair values of the respective reporting units significantly exceeded their respective carrying values, the terminal growth rate assumptions would need to decrease to negative amounts, ranging from negative 24% to negative 135%, in order to yield estimated fair values equal to the carrying values of the respective reporting units at November 1, 2009.

The carrying value of each U.S. Cellular reporting unit as of December 31, 2009 was as follows:

Reporting unit	Carrying value (Dollars in millions)
Central Region	$ 1,094
Mid-Atlantic Region	677
New England Region	222
New York Region	126
Northwest Region	318
Total	$ 2,437

TDS Telecom

TDS Telecom has three reporting units: ILEC and CLEC (Metrocom and Metrocom Minnesota). The CLEC reporting units do not have any goodwill allocated to them due to a write-off of all remaining goodwill in 2004. TDS Telecom's ILEC reporting unit has recorded goodwill primarily as a result of the acquisition of operating telephone companies. There were no changes to TDS Telecom's reporting units, the allocation of goodwill to TDS Telecom's ILEC reporting unit, or to TDS Telecom's overall goodwill impairment testing assumptions or methodology during 2009 or 2008.

For the purposes of impairment testing, the publicly-traded guideline company method and the recent transaction method were utilized. The publicly-traded guideline company method develops an indication of fair value by calculating average market pricing multiples for selected publicly-traded companies using multiples of revenue, EBITDA (earnings before interest, taxes, depreciation and amortization), EBITDA less capital expenditures, and access lines. The recent transaction method calculates market pricing multiples based upon recent acquisitions of similar businesses. In both methods, the developed multiples were applied to the appropriate financial measure of TDS Telecom's ILEC reporting unit to determine the reporting unit's fair value. Given the nature of this methodology, no specific consideration of the economic environment was considered since those factors would be implicit in the multiples used. As of November 1, 2009, the fair value of TDS Telecom's ILEC reporting unit exceeded its carrying value by 41%.

Licenses

U.S. Cellular tests licenses for impairment at the level of reporting referred to as a "unit of accounting." For purposes of its impairment testing of licenses as of December 31, 2008 and November 1, 2009, U.S. Cellular separated its FCC licenses into eighteen units of accounting based on geographic service areas. Thirteen of these eighteen units of accounting represented geographic groupings of licenses which, because they were not being utilized and, therefore, were not expected to generate cash flows from operating activities in the foreseeable future, were considered separate units of accounting for purposes of impairment testing.

Developed operating market licenses ("built licenses")

As indicated in Note 1—Summary of Significant Accounting Policies and Recent Accounting Pronouncements—Goodwill and Licenses Impairment Assessment, in 2009 U.S. Cellular changed its method of estimating the fair value of built licenses for purposes of impairment testing from the multiple period excess cash flow method ("MPECF method") to the build-out method. U.S. Cellular elected to make this change as the build-out method is a more widely used and accepted valuation method in estimating the fair value of licenses for purposes of impairment testing in the wireless industry. U.S. Cellular does not believe the build-out method yields a significantly different estimate of the fair value of licenses than the MPECF method.

Significant assumptions within the build-out method include the hypothetical build-out period, discount rate, long-term EBITDA margin, penetration rate, revenue growth rate, new subscriber costs, and capital expenditure and maintenance requirements. The penetration rate, revenue growth rate, new subscriber costs, and capital expenditure and maintenance requirements varied among the different units of accounting and between years within the forecast periods. The following key assumptions were applied consistently across all units of accounting for purposes of the November 1, 2009 licenses impairment assessment:

Key assumptions	
Build-out period	7 years
Discount rate	10.0%
Long-term EBITDA margin	32.7%

The discount rate used in the license valuation is less than the discount rate used in the valuation of reporting units for purposes of goodwill impairment testing due to reduced risk. Specifically, from a market participant perspective, the risks inherent in owning a specific wireless license are less than those associated with owning and operating an entire wireless business.

The discount rate is the most significant assumption in both the MPECF method and the build-out method. The discount rate is estimated based on the overall risk-free interest rate adjusted for industry participant information, such as a typical capital structure (i.e., debt-equity ratio), the after-tax cost of debt and the cost of equity. The cost of equity takes into consideration the average risk specific to individual market participants and the specific risk to U.S. Cellular. The discount rates used for the licenses impairment tests at December 31, 2008 (under the MPECF method) and November 1, 2009 (under the build-out method) were 9.5% and 10.0%, respectively. The increase in the discount rate between these two dates was primarily a result of the company-specific risk premium ("CSRP") applied to the cost of equity calculation. The selection of the higher CSRP was based on a variety of specific risk factors facing U.S. Cellular including the risks associated with the underlying projections relative to the market, and the highly concentrated and competitive nature of the market.

The results of the licenses impairment test at November 1, 2009 resulted in the recognition of a loss on impairment of $14.0 million. If the discount rate had increased by 1.0% to 11.0%, the impairment loss would have increased by $657 million; if the discount rate had decreased by 1.0% to 9.0%, no impairment loss would have been recognized.

Non-operating market licenses ("unbuilt licenses")

For purposes of performing impairment testing of unbuilt licenses, U.S. Cellular prepares estimates of fair value by reference to prices paid in recent auctions and market transactions where available. If such information is not available, the fair value of the unbuilt licenses is assumed to have changed by the same percentage, and in the same direction, that the fair value of built licenses measured using the build-out method changed during the period. None of the $14.0 million total impairment loss recognized as a result of the November 1, 2009 licenses impairment test related to unbuilt licenses.

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Carrying Value of Licenses

The carrying value of licenses at December 31, 2009 was as follows:

Unit of accounting	Carrying value (Dollars in millions)	
U.S. Cellular—Operating markets (5 units of accounting)		
Central Region	$	623
Mid-Atlantic Region		197
New England Region		80
Northwest Region		57
New York Region		1
U.S. Cellular—Non-operating markets (13 units of accounting)		
Central (3 states)		103
South Central (3 states)		5
North Central (3 states)		27
Southwest Central I (3 states)		8
Southwest Central II (4 states)		24
Northwest Central I (5 states)		14
Northwest Central II (5 states)		151
Mid-Atlantic I (3 states)		35
Mid-Atlantic II (7 states)		37
Mississippi Valley (14 states)		44
Northeast (4 states)		24
North Northwest (2 states)		4
South Northwest (2 states)		6
Total	$	1,440
TDS Telecom		3
Total	$	1,443

Due to the recently recorded impairment charges, $57 million of these licenses were recorded at fair value as of December 31, 2009. In addition, licenses with an aggregate carrying value of $1,105 million were in units of accounting where the fair value exceeded the carrying value by amounts less than 10% of the carrying value. Therefore, TDS believes that there is an increased likelihood that any declines in the fair value of such licenses in future periods would result in the recognition of impairment losses on such licenses in future periods, and any such impairment losses would have a negative impact on future results of operations. The impairment losses on licenses are not expected to have a future impact on liquidity. TDS is unable to predict the amount, if any, of future impairment losses attributable to licenses. Further, historical operating results, particularly amounts related to impairment losses, are not indicative of future operating results.

Property, Plant and Equipment—Depreciation

U.S. Cellular and TDS Telecom each provide for depreciation using the straight-line method over the estimated useful lives of the assets. Prior to the third quarter of 2007, TDS Telecom's ILEC operations followed accounting for regulated enterprises providing for depreciation according to depreciable rates approved by state public utility commissions. In 2007, management determined that it was no longer appropriate to continue the application of this accounting for reporting its financial results. See Note 5—Extraordinary Item in the Notes to Consolidated Financial Statements for additional details. TDS depreciates its leasehold improvement assets associated with leased properties over periods ranging from one to thirty years, which approximates the shorter of the assets' economic lives or the specific lease terms.

Annually, U.S. Cellular and TDS Telecom review their property, plant and equipment lives to ensure that the estimated useful lives are appropriate. The estimated useful lives of property, plant and equipment are critical accounting estimates because changing the lives of assets can result in larger or smaller charges for depreciation expense. Factors used in determining useful lives include technology changes, regulatory requirements, obsolescence and types of use.

U.S. Cellular and TDS Telecom did not materially change the useful lives of their property, plant and equipment in 2009, 2008 or 2007.

Income Taxes

The amounts of income tax assets and liabilities, the related income tax provision and the amount of unrecognized tax benefits are critical accounting estimates because such amounts are significant to TDS' financial condition and results of operations.

The preparation of the consolidated financial statements requires TDS to calculate a provision for income taxes. This process involves estimating the actual current income tax liability together with assessing temporary differences resulting from the different treatment of items for tax purposes, as well as estimating the impact of potential adjustments to tax returns filed and to be filed. These temporary differences result in deferred income tax assets and liabilities, which are included in the Consolidated Balance Sheet. TDS must then assess the likelihood that deferred income tax assets will be realized based on future taxable income and, to the extent management believes that realization is not likely, establish a valuation allowance. Management's judgment is required in determining the provision for income taxes, deferred income tax assets and liabilities and any valuation allowance that is established for deferred income tax assets.

TDS recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

See Note 4—Income Taxes in the Notes to Consolidated Financial Statements for details regarding TDS' income tax provision, deferred income taxes and liabilities, valuation allowances and unrecognized tax benefits, including information regarding estimates that impact income taxes.

Allowance for Doubtful Accounts

U.S. Cellular's accounts receivable primarily consist of amounts owed by customers pursuant to service contracts and for equipment sales, by agents for sales of equipment to them and by other wireless carriers whose customers have used U.S. Cellular's wireless systems.

TDS Telecom's accounts receivable primarily consist of amounts owed by customers for services provided, by connecting companies for carrying interstate and intrastate long-distance traffic on its network and by interstate and intrastate revenue pools that distribute access charges.

The allowance for doubtful accounts is the best estimate of the amount of probable credit losses related to existing accounts receivable. The allowance is estimated based on historical experience and other factors that could affect collectability. Accounts receivable balances are reviewed on either an aggregate or individual basis for collectability depending on the type of receivable. When it is probable that an account balance will not be collected, the account balance is charged against the allowance for doubtful accounts. TDS does not have any off-balance sheet credit exposure related to its customers. TDS will continue to monitor its accounts receivable balances and related allowance for doubtful accounts on an ongoing basis to assess whether it has adequately provided for potentially uncollectible amounts.

See Note 1—Summary of Significant Accounting Policies and Recent Accounting Pronouncements in the Notes to Consolidated Financial Statements for additional information regarding TDS' allowance for doubtful accounts.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following persons are partners of Sidley Austin LLP, the principal law firm of TDS and its subsidiaries: Walter C.D. Carlson, a trustee and beneficiary of a voting trust that controls TDS, the non-executive Chairman of the Board and member of the Board of Directors of TDS and a director of U.S. Cellular, a subsidiary of TDS; William S. DeCarlo, the General Counsel of TDS and an Assistant Secretary of TDS and certain subsidiaries of TDS; and Stephen P. Fitzell, the General Counsel of U.S. Cellular and TDS Telecommunications Corporation and an Assistant Secretary of certain subsidiaries of TDS. Walter C.D. Carlson does not provide legal services to TDS or its subsidiaries. TDS, U.S. Cellular and their subsidiaries incurred legal costs from Sidley Austin LLP of $13.8 million in 2009, $12.0 million in 2008 and $11.2 million in 2007.

On May 29, 2009, TDS repurchased 1,730,200 Special Common Shares at the then current market price on the New York Stock Exchange ("NYSE") for a total price of $48.2 million, or an average of $27.89 per Special Common Share including broker fees, from an affiliate of Southeastern Asset Management, Inc. ("SEAM"). In addition, on July 20, 2009, TDS repurchased 405,000 Special Common Shares from SEAM at a price below the then current market price on the NYSE for a total price of $10.5 million, or an average of $25.87 per Special Common Share including broker fees.

At the time, SEAM was a shareholder of more than 5% of TDS Special Common Shares and Common Shares, and currently continues to hold more than 5% of the Special Common Shares. See "Security Ownership by Certain Beneficial Owners" in TDS' Notice of Annual Meeting and Proxy Statement filed with the SEC on April 28, 2009 for further information about SEAM and its interest in TDS. These transactions were not solicited by TDS and TDS did not enter into any agreements with SEAM. The May 29, 2009 transaction was effected by TDS' broker pursuant to TDS' existing institutional brokerage account agreement on the NYSE in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended ("Exchange Act"). The July 20, 2009 transaction was made by TDS' broker pursuant to an agreement entered into pursuant to Rule 10b5-1 under the Exchange Act and was effected on the NYSE in compliance with Rule 10b-18. The repurchases were made under TDS' share repurchase authorization that was effective at the time of such repurchases.

The Audit Committee of the Board of Directors is responsible for the review and evaluation of all related-party transactions, as such term is defined by the rules of the New York Stock Exchange.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

SAFE HARBOR CAUTIONARY STATEMENT

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Annual Report contain statements that are not based on historical facts, including the words "believes," "anticipates," "intends," "expects" and similar words. These statements constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following risks:

- *Intense competition in the markets in which TDS operates could adversely affect TDS' revenues or increase its costs to compete.*
- *A failure by TDS to successfully execute its business strategy or allocate resources or capital could have an adverse effect on TDS' business, financial condition or results of operations.*
- *A failure by TDS' service offerings to meet customer expectations could limit TDS' ability to attract and retain customers and could have an adverse effect on TDS' operations.*
- *TDS' system infrastructure may not be capable of supporting changes in technologies and services expected by customers, which could result in lost customers and revenues.*
- *An inability to obtain or maintain roaming arrangements with other carriers on terms that are acceptable to TDS could have an adverse effect on TDS' business, financial condition or results of operations.*
- *TDS currently receives a significant amount of roaming revenues from its wireless business. As a result of acquisitions by other companies in the wireless industry, TDS roaming revenues have declined significantly from amounts earned in certain prior years. Further industry consolidation and continued build outs by existing and new wireless carriers could cause roaming revenues to decline even more, which would have an adverse effect on TDS' business, financial condition and results of operations.*
- *A failure by TDS to obtain access to adequate radio spectrum to meet current or anticipated future needs and/or to accurately predict future needs for radio spectrum could have an adverse effect on TDS' business and operations.*
- *To the extent conducted by the FCC, TDS is likely to participate in FCC auctions of additional spectrum in the future as an applicant or as a non-controlling partner in another auction applicant and, during certain periods, will be subject to the FCC's anti-collusion rules, which could have an adverse effect on TDS.*
- *Changes in the regulatory environment or a failure by TDS to timely or fully comply with any applicable regulatory requirements could adversely affect TDS' financial condition, results of operations or ability to do business.*
- *Changes in USF funding and/or intercarrier compensation could have a material adverse impact on TDS' financial position or results of operations.*
- *An inability to attract and/or retain management, technical, sales and other personnel could have an adverse effect on TDS' business, financial condition or results of operations.*
- *TDS' assets are concentrated in the U.S. telecommunications industry. As a result, its results of operations may fluctuate based on factors related entirely to conditions in this industry.*
- *The completion of acquisitions by other companies has led to increased consolidation in the wireless telecommunications industry. TDS' lower scale relative to larger wireless carriers has in the past and could in the future prevent or delay its access to new products including handsets, new technology and/or new content and applications which could adversely affect TDS' ability to attract and retain*

customers and, as a result, could adversely affect its business, financial condition or results of operations.

- *Inability to manage its supply chain or inventory successfully could have an adverse effect on TDS' business, financial condition or results of operations.*
- *Changes in general economic and business conditions, both nationally and in the markets in which TDS operates, could have an adverse effect on TDS' business, financial condition or results of operations.*
- *Changes in various business factors could have an adverse effect on TDS' business, financial condition or results of operations.*
- *Advances or changes in telecommunications technology, such as Voice over Internet Protocol ("VoIP"), High-Speed Packet Access, WiMAX or Long-Term Evolution ("LTE"), could render certain technologies used by TDS obsolete, could reduce TDS' revenues or could increase its costs of doing business.*
- *TDS could incur higher than anticipated intercarrier compensation costs.*
- *TDS is subject to numerous surcharges and fees from federal, state and local governments, and the applicability and the amount of these fees are subject to great uncertainty.*
- *Changes in TDS' enterprise value, changes in the market supply or demand for wireless licenses or wireline markets, adverse developments in the business or the industry in which TDS is involved and/or other factors could require TDS to recognize impairments in the carrying value of its license costs, goodwill and/or physical assets.*
- *Costs, integration problems or other factors associated with acquisitions/divestitures of properties or licenses and/or expansion of TDS' business could have an adverse effect on TDS' business, financial condition or results of operations.*
- *A significant portion of TDS' wireless revenues is derived from customers who buy services through independent agents who market TDS' services on a commission basis. If TDS' relationships with these agents are seriously harmed, its wireless revenues could be adversely affected.*
- *TDS' investments in technologies which are unproven may not produce the benefits that TDS expects.*
- *A failure by TDS to complete significant network construction and systems implementation activities as part of its plans to improve the quality, coverage, capabilities and capacity of its network and support systems could have an adverse effect on its operations.*
- *Financial difficulties (including bankruptcy proceedings) of TDS' key suppliers or vendors, termination or impairment of TDS' relationships with such suppliers or vendors, or a failure by TDS to manage its supply chain effectively could result in delays or termination of TDS' receipt of required equipment or services, or could result in excess quantities of required equipment or services, any of which could adversely affect TDS' business, financial condition or results of operations.*
- *TDS has significant investments in entities that it does not control. Losses in the value of such investments could have an adverse effect on TDS' financial condition or results of operations.*
- *A failure by TDS to maintain flexible and capable telecommunication networks or information technology, or a material disruption thereof, including breaches of network or information technology security, could have an adverse effect on TDS' business, financial condition or results of operations.*
- *Wars, conflicts, hostilities and/or terrorist attacks or equipment failures, power outages, natural disasters or other events could have an adverse effect on TDS' business, financial condition or results of operations.*
- *The market prices of TDS' Common Shares and Special Common Shares are subject to fluctuations due to a variety of factors.*

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- *Identification of errors in financial information or disclosures could require amendments to or restatements of financial information or disclosures included in this or prior filings with the SEC.*
- *Restatements of financial statements by TDS and related matters, including resulting delays in filing periodic reports with the SEC, could have an adverse effect on TDS' business, financial condition or results of operations.*
- *The existence of material weaknesses in the effectiveness of internal control over financial reporting could result in inaccurate financial statements or other disclosures or failure to prevent fraud, which could have an adverse effect on TDS' business, financial condition or results of operations.*
- *Changes in facts or circumstances, including new or additional information that affects the calculation of potential liabilities for contingent obligations under guarantees, indemnities, claims, litigation or otherwise, could require TDS to record charges in excess of amounts accrued in the financial statements, if any, which could have an adverse effect on TDS' financial condition or results of operations.*
- *Early redemptions or repurchases of debt, issuances of debt, changes in operating leases, changes in purchase obligations or other factors or developments could cause the amounts reported under Contractual Obligations in TDS' Management's Discussion and Analysis of Financial Condition and Results of Operations to be different from the amounts actually incurred.*
- *An increase in the amount of TDS' debt could subject TDS to higher interest costs and restrictions on its financing, investing and operating activities and could decrease its net income and cash flows.*
- *Disruption in credit or other financial markets, a deterioration of U.S. or global economic conditions or other events, could, among other things, impede TDS' access to or increase the cost of financing its operating and investment activities and/or result in reduced revenues and lower operating income and cash flows, which would have an adverse effect on TDS' financial condition or results of operations.*
- *Uncertainty of access to capital for telecommunications companies, deterioration in the capital markets, other changes in market conditions, changes in TDS' credit ratings or other factors could limit or restrict the availability of financing on terms and prices acceptable to TDS, which could require TDS to reduce its construction, development or acquisition programs.*
- *TDS' and U.S. Cellular's credit facilities and the indentures governing their senior notes include restrictive covenants that limit their operating flexibility and TDS and U.S. Cellular may be unable to service their debt or to refinance their indebtedness before maturity.*
- *Changes in income tax rates, laws, regulations or rulings, or federal or state tax assessments, could have an adverse effect on TDS' financial condition or results of operations.*
- *Settlements, judgments, restraints on its current or future manner of doing business and/or legal costs resulting from pending and future litigation could have an adverse effect on TDS' financial condition, results of operations or ability to do business.*
- *The possible development of adverse precedent in litigation or conclusions in professional studies to the effect that radio frequency emissions from handsets, wireless data devices and/or cell sites cause harmful health consequences, including cancer or tumors, or may interfere with various electronic medical devices such as pacemakers, could have an adverse effect on TDS' wireless business, financial condition or results of operations.*
- *Claims of infringement of intellectual property and proprietary rights of others, primarily involving patent infringement claims, could prevent TDS from using necessary technology to provide services or subject TDS to expensive intellectual property litigation or monetary penalties, which could have an adverse effect on TDS' business, financial condition or results of operations.*

- *Certain matters, such as control by the TDS Voting Trust and provisions in the TDS Restated Certificate of Incorporation, may serve to discourage or make more difficult a change in control of TDS.*
- *Any of the foregoing events or other events could cause revenues, customer additions, operating income, capital expenditures and/or any other financial or statistical information to vary from TDS' forward-looking estimates by a material amount.*

You are referred to a further discussion of these risks as set forth under "Risk Factors" in TDS' Annual Report on Form 10-K for the year ended December 31, 2009. TDS undertakes no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise. Readers should evaluate any statements in light of these important factors.

MARKET RISK

Long-Term Debt

As of December 31, 2009, TDS' long-term debt was in the form of fixed-rate notes with original maturities ranging up to 40 years. Fluctuations in market interest rates can lead to significant fluctuations in the fair value of these fixed-rate notes.

The following table presents the scheduled principal payments on long-term debt and capital lease obligations, and the related weighted average interest rates by maturity dates at December 31, 2009:

	Principal Payments Due by Period	
(Dollars in millions)	Long-Term Debt Obligations(1)	Weighted-Avg. Interest Rates on Long-Term Debt Obligations(2)
2010	$ 2.5	5.2%
2011	1.6	5.1%
2012	4.9	5.9%
2013	0.3	5.5%
2014	0.2	7.8%
After 5 years	1,496.7	7.2%
Total	$ 1,506.2	7.2%

(1) The total long-term debt obligation amount is different than the total long-term debt amount shown on the Consolidated Balance Sheet due to the $10.8 million unamortized discount related to U.S. Cellular's 6.7% senior notes. See Note 14—Debt in the Notes to Consolidated Financial Statements for additional information.

(2) Represents the weighted average interest rates at December 31, 2009, for debt maturing in the respective periods. At December 31, 2008, the total weighted average interest rate on long-term debt obligations was 7.3%.

Fair Value of Long-Term Debt

At December 31, 2009 and 2008, the estimated fair value of long-term debt obligations was $1,462.0 million and $1,035.6 million, respectively. The fair value of long-term debt other than capital lease obligations and the current portion of such long-term debt was estimated using market prices for TDS' 7.6% Series A Notes, 6.625% senior notes, and U.S. Cellular's 7.5% senior notes and discounted cash flow analysis for the remaining debt. U.S. Cellular's 8.75% senior notes were redeemed in December 2009.

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Telephone and Data Systems, Inc.

Consolidated Statement of Operations

Year Ended December 31,	2009	2008	2007
	(Dollars and shares in thousands, except per share amounts)		
Operating revenues	$ 5,020,674	$ 5,092,019	$ 4,828,984
Operating expenses			
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)	1,864,426	1,853,686	1,693,531
Selling, general and administrative expense	1,966,707	1,921,430	1,800,480
Depreciation, amortization and accretion expense	749,970	750,077	748,136
Loss on impairment of intangible assets	14,000	414,376	24,923
Loss on asset disposals, net	17,765	24,296	34,016
Total operating expenses	4,612,868	4,963,865	4,301,086
Operating income	407,806	128,154	527,898
Investment and other income (expense)			
Equity in earnings of unconsolidated entities	90,732	89,812	91,831
Interest and dividend income	11,121	39,131	199,435
Interest expense	(124,557)	(137,899)	(208,736)
Gain on investments and financial instruments	—	31,595	81,423
Other, net	2,000	2,213	(6,401)
Total investment and other income (expense)	(20,704)	24,852	157,552
Income before income taxes and extraordinary item	387,102	153,006	685,450
Income tax expense	133,376	30,093	269,054
Income before extraordinary item	253,726	122,913	416,396
Extraordinary item, net of tax (Note 5)	—	—	42,827
Net income	253,726	122,913	459,223
Less: Net income attributable to noncontrolling interests, net of tax	(59,824)	(29,372)	(73,111)
Net income attributable to TDS shareholders	193,902	93,541	386,112
Preferred dividend requirement	(51)	(52)	(52)
Net income available to common	$ 193,851	$ 93,489	$ 386,060
Basic weighted average shares outstanding	109,339	115,817	117,624

Basic earnings per share attributable to TDS shareholders (Note 7)			
Net Income before extraordinary item attributable to TDS Shareholders	$ 1.77	$ 0.81	$ 2.92
Extraordinary item	—	—	0.36
Net Income available to common	$ 1.77	$ 0.81	$ 3.28
Diluted weighted average shares outstanding	109,577	116,255	119,126
Diluted earnings per share attributable to TDS shareholders (Note 7)			
Net Income before extraordinary item attributable to TDS Shareholders	$ 1.77	$ 0.80	$ 2.86
Extraordinary item	—	—	0.36
Net Income available to common	$ 1.77	$ 0.80	$ 3.22
Dividends per share	$ 0.43	$ 0.41	$ 0.39

The accompanying notes are an integral part of these consolidated financial statements.

Telephone and Data Systems, Inc.

Consolidated Statement of Cash Flows

Year Ended December 31,	2009	2008	2007
		(Dollars in thousands)	
Cash flows from operating activities			
Net income	$ 253,726	$ 122,913	$ 459,223
Add (deduct) adjustments to reconcile net income to net cash flows from operating activities			
Depreciation, amortization and accretion	749,970	750,077	748,136
Bad debts expense	115,989	83,004	74,988
Stock-based compensation expense	32,486	22,693	31,891
Deferred income taxes, net	31,053	(437,919)	(283,047)
Gain on investments and financial instruments, net	—	(31,595)	(81,423)
Equity in earnings of unconsolidated entities	(90,732)	(89,812)	(91,831)
Distributions from unconsolidated entities	91,587	92,335	87,404
Loss on impairment of intangible assets	14,000	414,376	24,923
Loss on asset disposals, net	17,765	24,296	34,016
Extraordinary item, net of tax	—	—	(42,827)
Noncash interest expense	4,412	10,125	21,124
Excess tax benefit from stock awards	(25)	(1,966)	(28,981)
Other operating activities	(46)	(1,831)	(3,683)
Changes in assets and liabilities			
Accounts receivable	(110,258)	(79,427)	(88,889)
Inventory	(34,566)	(17,123)	16,848
Accounts payable	29,646	6,804	13,905
Customer deposits and deferred revenues	(6,165)	7,692	24,725
Accrued taxes	56,068	(11,725)	56,225
Accrued interest	(2,009)	(4,221)	(8,273)
Other assets and liabilities	(50,307)	(9,804)	(23,422)
	1,102,594	848,892	941,032
Cash flows from investing activities			
Additions to property, plant and equipment	(671,165)	(734,923)	(699,566)
Cash paid for acquisitions and licenses	(29,276)	(389,189)	(23,764)
Cash received from divestitures	50	6,838	4,277
Proceeds from disposition of investments	—	259,017	92,002
	—	(17,404)	—

Cash paid to settle derivative liabilities			
Cash paid for short-term investments	(109,230)	(27,446)	—
Cash received from short-term investments	23,660	—	—
Other investing activities	4,515	355	(804)
	(781,446)	(902,752)	(627,855)
Cash flows from financing activities			
Borrowings from revolving credit facilities	—	100,000	25,000
Repayment of revolving credit facilities	—	(100,000)	(60,000)
Issuance of long-term debt	—	—	2,857
Repayment of long-term debt	(143,078)	(9,448)	(3,552)
Settlement of variable prepaid forward contracts	—	(47,357)	—
TDS Common Shares and Special Common Shares reissued for benefit plans, net of tax payments	819	1,409	113,605
U.S. Cellular Common Shares reissued for benefit plans, net of tax payments	(82)	(2,288)	10,073
Excess tax benefit from stock awards	25	1,966	28,981
Repurchase of TDS Common and Special Common Shares	(178,536)	(197,672)	(126,668)
Repurchase of U.S. Cellular Common Shares	(33,585)	(28,366)	(87,902)
Dividends paid	(46,798)	(47,320)	(45,830)
Payment of debt issuance costs	(10,079)	—	—
Distributions to noncontrolling interests	(17,533)	(16,769)	(8,559)
Other financing activities	1,382	2,568	(61)
	(427,465)	(343,277)	(152,056)
Net increase (decrease) in cash and cash equivalents	(106,317)	(397,137)	161,121
Cash and cash equivalents			
Beginning of period	777,309	1,174,446	1,013,325
End of period	$ 670,992	$ 777,309	$ 1,174,446

The accompanying notes are an integral part of these consolidated financial statements.

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Telephone and Data Systems, Inc.

Consolidated Balance Sheet—Assets

December 31,	2009	2008
	(Dollars in thousands)	
Current assets		
Cash and cash equivalents	$ 670,992	$ 777,309
Short-term investments	113,275	27,705
Accounts receivable		
Due from customers, less allowances of $30,422 and $12,822, respectively	380,941	377,054
Other, principally connecting companies, less allowances of $7,201 and $6,380, respectively	130,973	139,795
Inventory	156,987	122,377
Net deferred income tax asset	29,874	27,758
Prepaid expenses	94,336	93,382
Other current assets	66,764	63,556
	1,644,142	1,628,936
Investments		
Licenses	1,443,025	1,441,440
Goodwill	707,840	707,079
Customer lists, net of accumulated amortization of $108,944 and $97,891, respectively	26,589	34,032
Investments in unconsolidated entities	203,799	205,768
Notes receivable, less valuation allowance of $55,144 and $55,144, respectively	7,605	7,898
Other investments	2,180	2,725
	2,391,038	2,398,942
Property, plant and equipment		
In service and under construction	8,760,327	8,680,388
Less: Accumulated depreciation	5,252,482	5,111,464
	3,507,845	3,568,924
Other assets and deferred charges	65,759	55,614
Total assets	$ 7,608,784	$ 7,652,416

The accompanying notes are an integral part of these consolidated financial statements.

Telephone and Data Systems, Inc.

Consolidated Balance Sheet—Liabilities and Equity

December 31,	2009	2008
	(Dollars in thousands)	
Current liabilities		
Current portion of long-term debt	$ 2,509	$ 15,337
Accounts payable	347,348	319,575
Customer deposits and deferred revenues	167,963	174,101
Accrued interest	12,227	14,236
Accrued taxes	39,644	25,192
Accrued compensation	93,524	90,512
Other current liabilities	117,081	134,334
	780,296	773,287
Deferred liabilities and credits		
Net deferred income tax liability	517,762	471,623
Other deferred liabilities and credits	373,862	368,045
	891,624	839,668
Long-term debt	1,492,908	1,621,422
Commitments and contingencies		
Noncontrolling interests with redemption features	727	589
Equity		
TDS stockholders' equity		
Common Shares, par value $.01 per share; authorized 100,000,000 shares; issued 57,082,000 shares	571	571
Special Common Shares, par value $.01 per share; authorized 165,000,000 shares; issued 63,442,000 shares	634	634
Series A Common Shares, par value $.01 per share; authorized 25,000,000 shares; issued and outstanding 6,492,000 and 6,461,000 shares, respectively	65	65
Capital in excess of par value	2,088,807	2,066,597
Treasury Shares at cost:		
Common Shares, 7,277,000 and 5,435,000 shares, respectively	(217,381)	(163,017)
Special Common Shares, 13,717,000 and 9,352,000 shares, respectively	(464,268)	(350,091)
Accumulated other comprehensive income	(2,710)	(16,812)
Retained earnings	2,371,587	2,229,540
Total TDS stockholders' equity	3,777,305	3,767,487
Preferred shares	832	852
Noncontrolling interests	665,092	649,111
Total equity	4,443,229	4,417,450
Total liabilities and equity	$ 7,608,784	$ 7,652,416

The accompanying notes are an integral part of these consolidated financial statements.

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Telephone and Data Systems, Inc.

Consolidated Statement of Changes in Equity

	TDS Stockholders											
	Common Shares	Special Common Shares	Series A Common Shares	Capital in Excess of Par Value	Treasury Common Shares	Treasury Special Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total TDS Stockholders' Equity	Preferred Shares	Non controlling Interests	Total Equity
							(Dollars in thousands)					
December 31, 2006	**$ 571**	**$ 633**	**$ 64**	**$ 1,992,597**	**$ (187,108)**	**$ (187,020)**	**$ 522,113**	**$ 1,428,570**	**$ 3,570,420**	**$ 863**	**$ 611,794**	**$ 4,183,077**
Net income attributable to TDS shareholders	—	—	—	—	—	—	—	386,112	386,112	—	—	386,112
Net income attributable to noncontrolling interests classified as equity	—	—	—	—	—	—	—	—	—	—	76,867	76,867
Net change in marketable equity securities and equity method investments	—	—	—	—	—	—	(114,907)	—	(114,907)	—	(13,037)	(127,944)
Net change in derivative instruments	—	—	—	—	—	—	80,122	—	80,122	—	(549)	79,573
Changes in plan assets and projected benefit obligation related to retirement plan	—	—	—	—	—	—	3,403	—	3,403	—	—	3,403
Termination of defined benefit pension plan(1)	—	—	—	—	—	—	322	—	322	—	—	322
Cumulative-effect adjustment related to accounting for unrecognized tax benefits	—	—	—	—	—	—	20,723	(16,323)	4,400	—	—	4,400
Dividends:												
Common, Special Common and Series A Common Shares	—	—	—	—	—	—	—	(45,778)	(45,778)	—	—	(45,778)
Preferred shares	—	—	—	—	—	—	—	(52)	(52)	—	—	(52)
Repurchase of shares	—	—	—	—		(126,668)	—	—	(126,668)	(3)	—	(126,671)
Dividend reinvestment plan	—	—	—	1,483	—	—	—	—	1,483	—	—	1,483
Incentive and compensation plans	—	—	—	368	66,559	108,770	—	(61,878)	113,819	—	—	113,819
Adjust investment in subsidiaries for repurchases, issuances and other compensation plans	—	—	—	8,431	—	—	—	—	8,431	—	(11,544)	(3,113)
Stock-based compensation awards(2)	—	—	—	17,219	—	—	—	—	17,219	—	—	17,219
Tax windfall (shortfall) from stock awards(3)	—	—	—	28,376	—	—	—	—	28,376	—	—	28,376
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(8,559)	(8,559)
Other	—	—	—	(364)	—	—	—	—	(364)	—	—	(364)
December 31, 2007	**$ 571**	**$ 633**	**$ 64**	**$ 2,048,110**	**$ (120,549)**	**$ (204,918)**	**$ 511,776**	**$ 1,690,651**	**$ 3,926,338**	**$ 860**	**$ 654,972**	**$ 4,582,170**

Telephone and Data Systems, Inc.

Consolidated Statement of Changes in Equity

	TDS Stockholders											
	Common Shares	Special Common Shares	Series A Common Shares	Capital in Excess of Par Value	Treasury Common Shares	Treasury Special Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total TDS Stockholders' Equity	Preferred Shares	Non controlling Interests	Total Equity
	(Dollars in thousands)											
December 31, 2007	**$ 571**	**$ 633**	**$ 64**	**$ 2,048,110**	**$ (120,549)**	**$ (204,918)**	**$ 511,776**	**$ 1,690,651**	**$ 3,926,338**	**$ 860**	**$ 654,972**	**$ 4,582,170**
Net income attributable to TDS shareholders	—	—	—	—	—	—	—	93,541	93,541	—	—	93,541
Net income attributable to noncontrolling interests classified as equity	—	—	—	—	—	—	—	—	—	—	25,518	25,518
Net change in marketable equity securities and equity method investments	—	—	—	—	—	—	(17,509)	—	(17,509)	—	(1,945)	(19,454)
Cumulative-effect adjustment related to fair value accounting (Note 3)	—	—	—	—	—	—	(502,677)	502,677	—	—	—	—
Changes in plan assets and projected benefit obligation related to retirement plan	—	—	—	—	—	—	(8,402)	—	(8,402)	—	—	(8,402)
Dividends:												
Common, Special Common and Series A Common Shares	—	—	—	—	—	—	—	(47,256)	(47,256)	—	—	(47,256)
Preferred shares	—	—	—	—	—	—	—	(52)	(52)	—	—	(52)
Repurchase of shares	—	—	—	—	(44,624)	(154,983)	—	—	(199,607)	(8)	—	(199,615)
Dividend reinvestment plan	—	1	1	1,755	—	—	—	—	1,757	—	—	1,757
Incentive and compensation plans	—	—	—	51	2,156	9,810	—	(10,021)	1,996	—	—	1,996
Adjust investment in subsidiaries for repurchases, issuances and other compensation plans	—	—	—	8,690	—	—	—	—	8,690	—	(12,848)	(4,158)
Stock-based compensation awards(2)	—	—	—	7,571	—	—	—	—	7,571	—	—	7,571
Tax windfall (shortfall) from stock awards(3)	—	—	—	420	—	—	—	—	420	—	—	420
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(16,769)	(16,769)
Other	—	—	—	—	—	—	—	—	—	—	183	183
December 31, 2008	**$ 571**	**$ 634**	**$ 65**	**$ 2,066,597**	**$ (163,017)**	**$ (350,091)**	**$ (16,812)**	**$ 2,229,540**	**$ 3,767,487**	**$ 852**	**$ 649,111**	**$ 4,417,450**

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Telephone and Data Systems, Inc.

Consolidated Statement of Changes in Equity

	TDS Stockholders											
	Common Shares	Special Common Shares	Series A Common Shares	Capital in Excess of Par Value	Treasury Common Shares	Treasury Special Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total TDS Stockholders' Equity	Preferred Shares	Non controlling Interests	Total Equity
	(Dollars in thousands)											
December 31, 2008	**$ 571**	**$ 634**	**$ 65**	**$ 2,066,597**	**$ (163,017)**	**$ (350,091)**	**$ (16,812)**	**$ 2,229,540**	**$ 3,767,487**	**$ 852**	**$ 649,111**	**$ 4,417,450**
Net income attributable to TDS shareholders	—	—	—	—	—	—	—	193,902	193,902	—	—	193,902
Net income attributable to noncontrolling interests classified as equity	—	—	—	—	—	—	—	—	—	—	59,686	59,686
Net unrealized losses on equity investments	—	—	—	—	—	—	(302)	—	(302)	—	—	(302)
Changes in plan assets and projected benefit obligation related to retirement plan	—	—	—	—	—	—	14,404	—	14,404	—	—	14,404
Dividends:												
Common, Special Common and Series A Common Shares	—	—	—	—	—	—	—	(46,747)	(46,747)	—	—	(46,747)
Preferred shares	—	—	—	—	—	—	—	(51)	(51)	—	—	(51)
Repurchase of shares	—	—	—	—	(55,103)	(121,498)	—	(4)	(176,605)	(20)	—	(176,625)
Dividend reinvestment plan	—	—	—	1	410	833	—	286	1,530	—	—	1,530
Incentive and compensation plans	—	—	—	(44)	329	6,488	—	(5,339)	1,434	—	—	1,434
Adjust investment in subsidiaries for repurchases, issuances, other compensation plans and noncontrolling interest purchase	—	—	—	7,705	—	—	—	—	7,705	—	(26,172)	(18,467)
Stock-based compensation awards(2)	—	—	—	16,124	—	—	—	—	16,124	—	—	16,124
Tax windfall (shortfall) from stock awards(3)	—	—	—	(1,576)	—	—	—	—	(1,576)	—	—	(1,576)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(17,533)	(17,533)
December 31, 2009	**$ 571**	**$ 634**	**$ 65**	**$ 2,088,807**	**$ (217,381)**	**$ (464,268)**	**$ (2,710)**	**$ 2,371,587**	**$ 3,777,305**	**$ 832**	**$ 665,092**	**$ 4,443,229**

(1) Represents additional liability of an individual telephone company's defined benefit pension plan which was terminated on November 13, 2007.

(2) Reflects TDS Corporate and TDS Telecom's current year stock-based compensation awards impact on Capital in Excess of Par Value. U.S. Cellular's amounts are included in "Adjust investment in subsidiaries for repurchases, issuances and other compensation plans."

(3) Reflects tax windfalls/(shortfalls) associated with the exercise of options and the vesting of restricted stock awards of TDS Common Shares and TDS Special Common Shares. U.S. Cellular's tax windfalls/(shortfalls) associated with the exercise of options and the vesting of restricted stock awards of U.S. Cellular are included in "Adjust investment in subsidiaries for repurchases, issuances and other compensation plans."

The accompanying notes are an integral part of these consolidated financial statements.

Telephone and Data Systems, Inc.

Consolidated Statement of Comprehensive Income

Year Ended December 31,	2009	2008	2007
		(Dollars in thousands)	
Net income	$ 253,726	$ 122,913	$ 459,223
Net change in accumulated other comprehensive income			
Net change in marketable equity securities and equity method investments	(302)	(19,454)	(127,944)
Changes in plan assets and projected benefit obligation related to retirement plan	14,404	(8,402)	3,403
Net change in derivative instruments	—	—	79,573
Termination of defined benefit plan(1)	—	—	322
Comprehensive income	267,828	95,057	414,577
Less: Comprehensive income attributable to noncontrolling interests	(59,824)	(27,427)	(59,525)
Comprehensive income attributable to TDS shareholders	$ 208,004	$ 67,630	$ 355,052

(1) Represents additional liability of an individual telephone company's defined benefit pension plan which was terminated on November 13, 2007.

The accompanying notes are an integral part of these consolidated financial statements.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Nature of Operations

Telephone and Data Systems, Inc. ("TDS") is a diversified telecommunications company providing high-quality telecommunications services in 36 states to approximately 6.1 million wireless customers and 1.1 million wireline equivalent access lines at December 31, 2009. TDS conducts substantially all of its wireless operations through its 82% owned subsidiary, United States Cellular Corporation ("U.S. Cellular"), and provides wireline services through its incumbent local exchange carrier ("ILEC") and competitive local exchange carrier ("CLEC") operations under its wholly owned subsidiary, TDS Telecommunications Corporation ("TDS Telecom"). TDS conducts printing and distribution services through its 80%-owned subsidiary, Suttle-Straus, Inc. ("Suttle-Straus"), which represents a small portion of TDS' operations.

TDS has three reportable segments: (i) U.S. Cellular's wireless operations; (ii) TDS Telecom's ILEC wireline operations and (iii) TDS Telecom's CLEC wireline operations. TDS does not have any foreign operations. See Note 19—Business Segment Information, for summary financial information on each business segment.

Principles of Consolidation

The accounting policies of TDS conform to accounting principles generally accepted in the United States of America ("GAAP") as set forth in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Unless otherwise specified, references to accounting provisions and GAAP in these notes refer to the requirements of the FASB ASC. The consolidated financial statements include the accounts of TDS, its majority-owned subsidiaries, general partnerships in which it has a majority partnership interest and any entity in which TDS has a variable interest that requires TDS to recognize a majority of the entity's expected gains or losses. All material intercompany accounts and transactions have been eliminated.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2009 financial statement presentation. These reclassifications did not affect consolidated net income attributable to TDS shareholders, cash flows, assets, liabilities or equity for the years presented.

Business Combinations Accounting

Effective January 1, 2009, TDS adopted new required provisions under GAAP related to accounting for business combinations. Although the revised provisions still require that all business combinations are to be accounted for at fair value in accordance with the acquisition method, they require TDS to revise its application of the acquisition method in a number of significant aspects. Specifically, the new provisions require that transaction costs are to be expensed and that the acquirer must recognize 100% of the acquiree's assets and liabilities rather than a proportional share, for acquisitions of less than 100% of a business. In addition, the revised provisions eliminate the step acquisition model and provide that all business combinations, whether full, partial or step acquisitions, will result in all assets and liabilities of an acquired business being recorded at their fair values at the acquisition date.

During 2008 and 2007, TDS applied the provisions of GAAP related to business combinations in effect during those periods. Similar to the revised provisions, the previous provisions required the application of the acquisition method whereby business combinations were to be accounted for at fair value. However the previous provisions were different in a number of respects, including (but not limited to) the requirement that all direct and incremental costs relating to an acquisition be included in the acquisition

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

costs, and the requirement that the acquirer only recognize its proportional share of the fair value of assets and liabilities acquired in a partial business acquisition.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (a) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and (b) the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates are involved in accounting for goodwill and indefinite-lived intangible assets, depreciation, amortization and accretion, allowance for doubtful accounts, and income taxes.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term, highly liquid investments with original maturities of three months or less.

Outstanding checks totaled $26.1 million and $28.5 million at December 31, 2009 and 2008, respectively, and are classified as Accounts payable in the Consolidated Balance Sheet.

Short-Term Investments

As of December 31, 2009 and 2008, TDS held certificates of deposit totaling $113.3 million and $27.7 million, respectively, which were included in Short-term investments in the Consolidated Balance Sheet. At December 31, 2009, these certificates of deposit had original maturities of between 120 days and one year on the dates TDS acquired these certificates of deposit and earn interest at annual rates between 0.50% and 1.75%.

Accounts Receivable and Allowance for Doubtful Accounts

U.S. Cellular's accounts receivable primarily consist of amounts owed by customers pursuant to service contracts and for equipment sales, by agents for sales of equipment to them and by other wireless carriers whose customers have used U.S. Cellular's wireless systems.

TDS Telecom's accounts receivable primarily consist of amounts owed by customers for services provided, by connecting companies for carrying interstate and intrastate long-distance traffic on its network, and by interstate and intrastate revenue pools that distribute access charges.

The allowance for doubtful accounts is the best estimate of the amount of probable credit losses related to existing accounts receivable. The allowance is estimated based on historical experience and other factors that could affect collectability. Accounts receivable balances are reviewed on either an aggregate or individual basis for collectability depending on the type of receivable. When it is probable that an account balance will not be collected, the account balance is charged against the allowance for doubtful accounts. TDS does not have any off-balance sheet credit exposure related to its customers.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

The changes in the allowance for doubtful accounts during the years ended December 31, 2009, 2008 and 2007 were as follows:

Year Ended December 31,	2009	2008	2007
	(Dollars in thousands)		
Beginning Balance	$ 19,202	$ 21,623	$ 25,383
Additions, net of recoveries	115,989	83,004	74,988
Deductions	(97,568)	(85,425)	(78,748)
Ending Balance	$ 37,623	$ 19,202	$ 21,623

Inventory

Inventory primarily consists of handsets stated at the lower of cost or market, with cost determined using the first-in, first-out method and market determined by replacement costs. TDS Telecom's materials and supplies are stated at average cost.

Fair Value Measurements

Effective January 1, 2008, for financial assets and liabilities measured in the Consolidated Balance Sheet at fair value on a recurring basis, TDS adopted the required provisions under GAAP that define "fair value", establish a framework for measuring fair value in the application of GAAP, and expand disclosure about fair value measurements. Effective January 1, 2009, TDS adopted these same provisions for nonfinancial assets and liabilities measured in the Consolidated Balance Sheet at fair value on a nonrecurring basis, and for amounts that are presented only in disclosures. The provisions do not expand the use of fair value measurements in financial statements, but standardize their definition and application in GAAP. The provisions provide that fair value is a market-based measurement and not an entity-specific measurement, based on an exchange transaction in which the entity sells an asset or transfers a liability (exit price). The provisions establish a fair value hierarchy that contains three levels for inputs used in fair value measurements. Level 1 inputs include quoted market prices for identical assets or liabilities in active markets. Level 2 inputs include quoted market prices for similar assets and liabilities in active markets or quoted market prices for identical assets and liabilities in inactive markets. Level 3 inputs are unobservable.

In addition, on January 1, 2008, TDS elected provisions under GAAP that permit companies to choose to measure various financial instruments and certain other items at fair value. At the date the option is elected, entities are required to record a cumulative-effect adjustment to beginning retained earnings. In subsequent periods, for those instruments in which the fair value option is elected, unrealized gains and losses are recorded in the Consolidated Statement of Operations. On January 1, 2008, TDS elected these provisions for its investment in Deutsche Telekom Ordinary Shares, and also for the "collar" portions of the variable prepaid forward contracts ("forward contracts") related to such Deutsche Telekom Ordinary Shares. TDS elected to do this for these items in order to better align the financial statement presentation of the unrealized gains and losses attributable to these items with their underlying economics. The forward contracts were settled and the Deutsche Telekom Ordinary Shares were disposed of in 2008.

Derivative Financial Instruments

TDS has in the past used derivative financial instruments in the form of forward contracts to reduce risks related to fluctuations in market prices of marketable equity securities. TDS did not hold or issue derivative financial instruments for trading purposes. During 2008 and 2007, TDS had forward contracts in place with respect to substantially all TDS' marketable equity security portfolio, hedging the market price risk with respect to the contracted securities. Some of these forward contracts settled in 2007 and the remaining contracts settled in 2008. The downside market risk was hedged at or above the accounting cost basis of the securities.

TDS recognized all of the forward contracts as either assets or liabilities in the Consolidated Balance Sheet and measured those instruments at their fair value. Changes in fair value of those instruments are reported in the Consolidated Statement of Operations or classified as Accumulated other comprehensive income, net of tax, in the Consolidated Balance Sheet, depending on the use of the derivative and whether it qualified for hedge accounting. Qualification for hedge accounting is dependent on whether the hedge is anticipated to be highly effective in achieving offsetting changes in the fair value of the hedged item or cash flows of the asset hedged.

TDS originally designated the embedded collars within the forward contracts related to Deutsche Telekom Ordinary Shares and Vodafone American Depository Receipts ("ADRs") as cash flow hedges. Accordingly, all changes in the fair value of the embedded collars were recorded in Accumulated other comprehensive income, net of income taxes. Subsequently, upon contractual modifications to the terms of the collars of the contracts related to Deutsche Telekom Ordinary Shares in June 2003 and Vodafone ADRs in September 2002, the embedded collars no longer qualified for hedge accounting treatment and all changes in fair value of the collars from the time of the contractual modification to the termination or settlement of the terms of the collars have been included in the Consolidated Statement of Operations.

The VeriSign forward contract was designated as a fair value hedge. Changes in the fair value of the embedded collar were recognized in the Consolidated Statement of Operations.

See Note 3—Fair Value Measurements for more information.

Licenses

Licenses consist of costs incurred in acquiring Federal Communications Commission ("FCC") licenses to provide wireless service. These costs include amounts paid to license applicants and owners of interests in entities awarded licenses and all direct and incremental costs related to acquiring the licenses. Prior to a change in required GAAP in 2009, TDS had also allocated amounts to Licenses in conjunction with step acquisitions related to U.S. Cellular's repurchase of U.S. Cellular Common Shares.

TDS has determined that wireless licenses are indefinite-lived intangible assets and, therefore, not subject to amortization, based on the following factors:

- Radio spectrum is not a depleting asset.
- The ability to use radio spectrum is not limited to any one technology.
- U.S. Cellular and its consolidated subsidiaries are licensed to use radio spectrum through the FCC licensing process, which enables licensees to utilize specified portions of the spectrum for the provision of wireless service.
- U.S. Cellular and its consolidated subsidiaries are required to renew their FCC licenses every ten years or, in some cases, every fifteen years. From the inception of U.S. Cellular to date, all of U.S. Cellular's license renewal applications have been granted by the FCC. Generally, license renewal applications filed by licensees otherwise in compliance with FCC regulations are routinely granted. If, however, a license renewal application is challenged either by a competing applicant for the license or by a petition to deny the renewal application, the license will be renewed if the licensee can demonstrate its entitlement to a "renewal expectancy." Licensees are entitled to such an expectancy if they can demonstrate to the FCC that they have provided "substantial service" during their license term and

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

have "substantially complied" with FCC rules and policies. U.S. Cellular believes that it is probable that its future license renewal applications will be granted.

Goodwill

TDS has goodwill as a result of its acquisitions of wireless markets, the acquisition of operating telephone companies and, prior to 2009, step acquisitions related to U.S. Cellular's repurchase of its common shares. Such goodwill represents the excess of the total purchase price over the fair value of net assets acquired in these transactions.

Goodwill and Licenses Impairment Assessment

Goodwill and licenses must be assessed for impairment annually or more frequently if events or changes in circumstances indicate that such assets might be impaired.

The impairment test for goodwill is a two-step process. The first step compares the fair value of the reporting unit to its carrying value. If the carrying amount exceeds the fair value, the second step of the test is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. To calculate the implied fair value of goodwill in this second step, an enterprise allocates the fair value of the reporting unit to all of the assets and liabilities of that reporting unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value was the price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amount assigned to the assets and liabilities of the reporting unit is the implied fair value of goodwill. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss is recognized for that difference.

The impairment test for an intangible asset other than goodwill consists of comparing the fair value of the intangible asset to its carrying amount. If the carrying amount exceeds the fair value, an impairment loss is recognized for the difference.

Quoted market prices in active markets are the best evidence of fair value of an intangible asset or reporting unit and are used when available. If quoted market prices are not available, the estimate of fair value is based on the best information available, including prices for similar assets and the use of other valuation techniques. Other valuation techniques include present value analysis, multiples of earnings or revenues, or similar performance measures. The use of these techniques involve assumptions by management about factors that are uncertain including future cash flows, the appropriate discount rate, and other inputs. Different assumptions for these inputs could create materially different results.

Historically, U.S. Cellular completed the required annual impairment assessment of its licenses and goodwill as of April 1 of each year. As a result of the deterioration in the credit and financial markets and the decline of the overall economy in the fourth quarter of 2008, U.S. Cellular performed an interim impairment assessment of licenses and goodwill as of December 31, 2008. Effective April 1, 2009, U.S. Cellular adopted a new accounting policy whereby its annual impairment review of goodwill and indefinite-lived intangible assets will be performed as of November 1 instead of the second quarter of each year. The change in the annual goodwill and indefinite-lived intangible asset impairment testing date was made to better align the annual impairment test with the timing of U.S. Cellular's annual strategic planning process, which allows for a better estimate of the future cash flows used in discounted cash flow models to test for impairment. This change in accounting policy does not delay, accelerate or avoid an impairment charge. Accordingly, U.S. Cellular management believes that this accounting change is preferable under the circumstances.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

U.S. Cellular tests goodwill for impairment at the level of reporting referred to as a reporting unit. For purposes of impairment testing of goodwill in 2009, U.S. Cellular identified five reporting units. The five reporting units represent five geographic groupings of FCC licenses, representing five geographic service areas. U.S. Cellular tests licenses for impairment at the level of reporting referred to as a unit of accounting. For purposes of its annual impairment testing of licenses as of November 1, 2009, U.S. Cellular combined its FCC licenses into eighteen units of accounting. Of these, thirteen of such eighteen units of accounting represented geographic groupings of licenses which, because they were not being utilized and, therefore, were not expected to generate cash flows from operating activities in the foreseeable future, were considered separate units of accounting for purposes of impairment testing. The five units of accounting for which licenses are being utilized are referred to as "built licenses" and the thirteen units of accounting for which licenses are not being utilized are referred to as "unbuilt licenses."

For purposes of impairment testing of goodwill, U.S. Cellular prepares valuations of each of the five reporting units. A discounted cash flow approach was used to value each reporting unit, using value drivers and risks specific to the current industry and economic markets. The cash flow estimates incorporated assumptions that market participants would use in their estimates of fair value. Key assumptions made in this process were the discount rate, estimated future cash flows, projected capital expenditures and the terminal growth rate.

In 2009, U.S. Cellular changed its method of estimating the fair value of built licenses for purposes of impairment testing from the multiple period excess cash flow method ("MPECF method") to the build-out method. U.S. Cellular elected to make this change as the build-out method is a more widely used and accepted valuation method in estimating the fair value of licenses for purposes of impairment testing in the wireless industry. U.S. Cellular does not believe the build-out method yields a significantly different estimate of the fair value of licenses than the MPECF method.

The MPECF method estimated the fair value of the units of accounting by measuring the future cash flows of the license groups, reduced by charges for contributory assets such as working capital, trademarks, existing subscribers, fixed assets and assembled workforce to arrive at the economic margin. A contributory asset charge for goodwill was subtracted from the economic margin to arrive at the after-tax excess cash flows applicable to the licenses.

The build-out method estimates the value of licenses by calculating future cash flows from a hypothetical start-up wireless company and assumes that the only assets available upon formation are the underlying licenses. To apply this method, a hypothetical build-out of the company's wireless network, infrastructure, workforce and related costs are projected based on market participant information. Calculated cash flows, along with a terminal value, are discounted to the present and summed to determine the estimated fair value.

For units of accounting which consist of unbuilt licenses, U.S. Cellular prepares estimates of fair value by reference to prices paid in recent auctions and market transactions where available. If such information is not available, the fair value of the unbuilt licenses is assumed to change by the same percentage, and in the same direction, that the fair value of built licenses measured using the build-out method changed during the period.

As a result of updated guidance promulgated by the FASB effective January 1, 2009, TDS did not record any amounts to licenses and goodwill as a result of U.S. Cellular's purchases of U.S. Cellular Common Shares as step acquisitions using purchase accounting during 2009. Prior to January 1, 2009, TDS had recorded amounts as licenses and goodwill as a result of accounting for U.S. Cellular's purchases of U.S. Cellular Common Shares as step acquisitions using purchase accounting. TDS' ownership percentage of U.S. Cellular increases upon these U.S. Cellular share repurchases. The purchase price in excess of the fair value of the net assets acquired is allocated principally to licenses and goodwill. For impairment testing purposes, the additional TDS licenses and goodwill amounts are allocated to the same reporting units and units of accounting used by U.S. Cellular. Consequently, U.S. Cellular's license and goodwill balances reported on a stand-alone basis do not match the TDS consolidated licenses and goodwill balances for U.S. Cellular, and impairment losses recognized by TDS related to U.S. Cellular licenses and goodwill may exceed those recognized by U.S. Cellular.

TDS Telecom has recorded goodwill primarily as a result of the acquisition of operating telephone companies and has assigned this goodwill to its ILEC reporting unit. For the purposes of impairment testing, the publicly-traded guideline company method and the recent transaction method were utilized. The publicly-traded guideline company method develops an indication of value by calculating market pricing multiples for selected publicly-traded companies. The recent transaction method calculates market pricing multiples based upon recent actual acquisitions of similar businesses. In both methods, the developed multiples are applied to the appropriate financial measure of TDS Telecom's ILEC reporting unit to determine the reporting unit's fair value.

Investments in Unconsolidated Entities

Investments in unconsolidated entities consist of investments in which TDS holds a non-controlling ownership interest of 50% or less. TDS follows the equity method of accounting for such investments in which its ownership interest equals or exceeds 20% for corporations and equals or exceeds 3% for partnerships and limited liability companies. The cost method of accounting is followed for such investments in which TDS' ownership interest is less than 20% for corporations and is less than 3% for partnerships and limited liability companies, and for investments for which TDS does not have the ability to exercise significant influence.

For its equity method investments for which financial information is readily available, TDS records its equity in the earnings of the entity in the current period. For its equity method investments for which financial information is not readily available, TDS records its equity in the earnings of the entity on a one quarter lag basis.

Property, Plant and Equipment

Property, plant and equipment is stated at the original cost of construction or purchase including capitalized costs of certain taxes, payroll-related expenses, interest and estimated costs to remove the assets.

Expenditures that enhance the productive capacity of assets in service or extend their useful lives are capitalized and depreciated. Expenditures for maintenance and repairs of assets in service are charged to Cost of services and products or Selling, general and administrative expense, as applicable.

For U.S. Cellular and TDS Telecom's CLEC operations, retirements and disposals of assets are recorded by removing the original cost of the asset (along with the related accumulated depreciation) from plant in service and charging it, together with removal cost less any salvage realized, to Loss on asset disposals, net. TDS Telecom's ILEC operations primarily use a group composite depreciation method. Under this method, when property, plant and equipment is retired, the original cost, net of salvage value, is charged against accumulated depreciation. A loss is recognized to the extent the cost to remove the plant exceeds the amounts established under the asset retirement obligation.

Costs of developing new information systems are capitalized and amortized over their expected economic useful lives.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

Depreciation

TDS provides for depreciation using the straight-line method over the estimated useful life of the assets. However, prior to the third quarter of 2007 when TDS Telecom discontinued the use of accounting provisions now included in FASB ASC 980, *Regulated Operations* ("FASB ASC 980"), TDS Telecom's ILEC operations provided for depreciation according to depreciable rates approved by state public utility commissions. This change did not have a significant impact on TDS Telecom's depreciation expense.

TDS depreciates leasehold improvement assets associated with leased properties over periods ranging from one to thirty years; such periods approximate the shorter of the assets' economic lives or the specific lease terms.

Useful lives of specific assets are reviewed throughout the year to determine if changes in technology or other business changes would warrant accelerating the depreciation of those specific assets. U.S. Cellular and TDS Telecom did not materially change the useful lives of their property, plant and equipment in 2009, 2008 or 2007.

Impairment of Long-lived Assets

TDS reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the assets might be impaired. The impairment test for tangible long-lived assets is a two-step process. The first step compares the carrying value of the asset (or asset group) with the estimated undiscounted cash flows over the remaining asset (or asset group) life. If the carrying value of the asset (or asset group) is greater than the undiscounted cash flows, the second step of the test is performed to measure the amount of impairment loss. The second step compares the carrying value of the asset to its estimated fair value. If the carrying value exceeds the estimated fair value (less cost to sell), an impairment loss is recognized for the difference.

Quoted market prices in active markets are the best evidence of fair value of a tangible long-lived asset and are used when available. If quoted market prices are not available, the estimate of fair value is based on the best information available, including prices for similar assets and the use of other valuation techniques. A present value analysis of cash flow scenarios is often the best available valuation technique. The use of this technique involves assumptions by management about factors that are uncertain including future cash flows, the appropriate discount rate, and other inputs. Different assumptions for these inputs could create materially different results.

Other Assets and Deferred Charges

Other assets and deferred charges primarily represent legal and other charges related to various borrowing instruments, and are amortized over the respective term of each instrument. The amounts for deferred charges included in the Consolidated Balance Sheet at December 31, 2009 and 2008 are shown net of accumulated amortization of $23.0 million and $22.0 million, respectively.

Asset Retirement Obligations

TDS accounts for asset retirement obligations in accordance with GAAP, which requires entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. At the time the liability is incurred, TDS records a liability equal to the net present value of the estimated cost of the asset retirement obligation and increases the carrying amount of the related long-lived asset by an equal amount. Over time, the liability is accreted to its present value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to retire the asset and the recorded liability (including accretion of discount) is recognized in the Consolidated Statement of Operations.

Treasury Shares

Common Shares and Special Common Shares repurchased by TDS are recorded at cost as treasury shares and result in a reduction of equity. Treasury shares are reissued as part of TDS' stock-based compensation programs. When treasury shares are reissued, TDS determines the cost using the first-in, first-out cost method. The difference between the cost of the treasury shares and reissuance price is included in Capital in excess of par value or Retained earnings.

Revenue Recognition

U.S. Cellular

Revenues from wireless operations consist primarily of:

- Charges for access, airtime, roaming, long distance, data and other value added services provided to U.S. Cellular's retail customers and to end users through third-party resellers;
- Charges to carriers whose customers use U.S. Cellular's systems when roaming;
- Sales of equipment and accessories; and
- Amounts received from the Universal Service Fund ("USF") in states where U.S. Cellular has been designated an Eligible Telecommunications Carrier ("ETC").

Revenues related to wireless services are recognized as services are rendered. Revenues billed in advance or in arrears of the services being provided are estimated and deferred or accrued, as appropriate. Revenues from sales of equipment and accessories are recognized when title passes to the agent or end-user customer.

In order to provide better control over handset quality, U.S. Cellular sells handsets to agents. U.S. Cellular provides rebates to agents at the time an agent activates a new customer for U.S. Cellular or retains an existing customer in a transaction involving a handset. U.S. Cellular accounts for anticipated rebates on sales of handsets to agents by reducing revenues at the time of the sale to the agent rather than at the time the agent enrolls a new customer or retains a current customer. Similarly, U.S. Cellular offers certain rebates to retail customers who purchase new handsets. The revenue from a handset sale which includes such a rebate is recorded net of the rebate.

Activation fees charged with the sale of service only, where U.S. Cellular does not also sell a handset to the end user, are deferred and recognized over the average customer life. U.S. Cellular defers recognition of a portion of commission expenses related to activations in the amount of deferred activation fee revenues. This method of accounting provides for matching of revenues from activations to direct incremental costs associated with such activations within each reporting period. The activation fee charged with the sale of equipment and service is allocated to the equipment and service based upon the relative fair values of each item. This generally results in the recognition of the activation fee as additional handset revenue at the time of sale.

ETC revenues recognized in the reporting period represent the amounts which U.S. Cellular is entitled to receive for such period, as determined and approved in connection with U.S. Cellular's designation as an ETC in various states.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

TDS Telecom

Revenue from wireline operations consist primarily of charges for:

- The provision of local telephone exchange service;
- Compensation for carrying interstate and intrastate long-distance voice and data traffic on TDS Telecom's local telephone networks, including compensation from Universal Service Funds;
- Leasing, selling, installing and maintaining customer premise equipment;
- Providing billing and collection services;
- Providing broadband services;
- Reselling long-distance services; and
- Selling digital broadcast satellite service.

Revenues are recognized as services are rendered. Activation fees charged are deferred and recognized over the average customer's service period.

TDS Telecom offers some products and services that are provided by third-party vendors, primarily satellite television service. TDS records satellite television service revenue on a net basis.

TDS Telecom offers discounts and incentives to customers who receive certain groupings of products and services (bundled arrangements). These discounts are recognized concurrently with the associated revenue and are allocated to the various products and services in the bundled offering based on their relative fair value. A bundled service offering TDS Telecom currently offers is telephone service, digital subscriber line ("DSL") service and satellite television service.

Discounts and incentives offered by TDS Telecom that are given directly to customers are recorded in the financial statements as a reduction of Operating revenues.

TDS' ILECs participate in revenue pools with other telephone companies for interstate revenue and for certain intrastate revenue. Such pools are funded by toll revenue and/or access charges within state jurisdictions and by access charges in the interstate market. Revenues earned through the various pooling processes are recorded based on estimates following the National Exchange Carrier Association's rules as approved by the FCC.

Amounts Collected from Customers and Remitted to Governmental Authorities

TDS records amounts collected from customers and remitted to governmental authorities net within a tax liability account if the tax is assessed upon the customer and TDS merely acts as an agent in collecting the tax on behalf of the imposing governmental authority. If the tax is assessed upon TDS, then amounts collected from customers as recovery of the tax are recorded in Operating revenues and amounts remitted to governmental authorities are recorded in Selling, general and administrative expenses in the Consolidated Statement of Operations. The amounts recorded gross in revenues that are billed to customers and remitted to governmental authorities totaled $131.1 million, $161.9 million and $147.8 million for 2009, 2008 and 2007, respectively.

Advertising Costs

TDS expenses advertising costs as incurred. Advertising costs totaled $266.5 million, $284.9 million and $240.3 million in 2009, 2008 and 2007, respectively.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

Income Taxes

TDS files a consolidated federal income tax return. Deferred taxes are computed using the liability method, whereby deferred tax assets are recognized for future deductible temporary differences and operating loss carryforwards, and deferred tax liabilities are recognized for future taxable temporary differences. Both deferred tax assets and liabilities are measured using the tax rates anticipated to be in effect when the temporary differences reverse. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. TDS evaluates income tax uncertainties, assesses the probability of the ultimate settlement with the applicable taxing authority and records an amount based on that assessment.

Stock-Based Compensation

TDS has established long-term incentive plans, employee stock purchase plans, dividend reinvestment plans, and a non-employee director compensation plan which are described more fully in Note 18—Stock-Based Compensation. These plans are considered compensatory plans; therefore, recognition of compensation costs for grants made under these plans is required. The dividend reinvestment plan of TDS is not considered a compensatory plan, therefore recognition of compensation costs for grants made under this plan is not required.

TDS values its share-based payment transactions using a Black-Scholes valuation model. Stock-based compensation cost recognized during the period is based on the portion of the share-based payment awards that are ultimately expected to vest. Accordingly, stock-based compensation cost recognized has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Pre-vesting forfeitures and expected life are estimated based on historical experience related to similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. TDS believes that its historical experience provides the best estimates of future pre-vesting forfeitures and future expected life. The expected volatility assumption is based on the historical volatility of TDS' common stock over a period commensurate with the expected life. The dividend yield assumption is equal to the dividends declared in the most recent year as a percentage of the share price on the date of grant. The risk-free interest rate assumption is determined using the implied yield for zero-coupon U.S. government issues with a remaining term that approximates the expected life of the stock options.

Compensation cost for stock option awards is recognized over the respective requisite service period of the awards, which is generally the vesting period, on a straight-line basis for each separate vesting portion of the awards as if the awards were, in-substance, multiple awards (graded vesting attribution method).

Operating Leases

TDS is a party to various lease agreements for office space, retail sites, cell sites and equipment that are accounted for as operating leases. Certain leases have renewal options and/or fixed rental increases. Renewal options that are reasonably assured of exercise are included in determining the lease term. TDS accounts for certain operating leases that contain rent abatements, lease incentives and/or fixed rental increases by recognizing lease revenue and expense on a straight-line basis over the lease term.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

Recent Accounting Pronouncements

In June 2009, the FASB issued an update to accounting standards now reflected in FASB ASC 810, *Consolidation*. Subsequently, in December 2009, the FASB issued Accounting Standards Update No. 2009-17, *Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* ("ASU 2009-17") to formally codify such update. The revised guidance changes how TDS determines when an entity that is insufficiently capitalized or is not controlled through voting or similar rights should be consolidated. TDS has interests in several entities within the scope of these requirements (see Note 6—Variable Interest Entities). TDS adopted this accounting standards update effective January 1, 2010. TDS anticipates that the adoption of this pronouncement will not have a significant impact on its financial position or results of operations.

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, *Multiple Deliverable Revenue Arrangements—a consensus of FASB Emerging Issues Task Force* ("ASU 2009-13"). ASU 2009-13 addresses how arrangement consideration should be allocated to products and services included in revenue arrangements. It replaces "fair value" with "selling price" in revenue allocation guidance and establishes a selling price hierarchy for determining the selling price of each product or service. ASU 2009-13 will be effective for TDS on January 1, 2011. TDS does not anticipate that this pronouncement will have a significant impact on its financial position or results of operations.

In October 2009, the FASB issued Accounting Standards Update No. 2009-14, *Certain Revenue Arrangements that include Software Elements* ("ASU 2009-14"). ASU 2009-14 amends accounting and reporting guidance for revenue arrangements involving both tangible products and software that is "more than incidental to the tangible product as a whole". ASU 2009-14 will be effective for TDS on January 1, 2011. TDS does not anticipate that this pronouncement will have a significant impact on its financial position or results of operations.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"). ASU 2010-06 requires new disclosures regarding transfers in and out of Levels 1 and 2 and activity in Level 3 fair value measurements. It also clarifies existing disclosure requirements regarding the level of disaggregation in certain disclosures and inputs and valuation techniques used in FASB ASC 820, *Fair Value Measurements and Disclosures.* TDS adopted this accounting standards update effective January 1, 2010 for all the disclosure requirements in ASU 2010-06 except the new requirement regarding activity in Level 3 fair value measurements which becomes effective for TDS on January 1, 2011. TDS does not anticipate that this pronouncement will have a significant impact on its financial position or results of operations.

NOTE 2 NONCONTROLLING INTERESTS

Noncontrolling Interests Accounting

Effective January 1, 2009, TDS adopted new required provisions under GAAP related to the accounting and reporting for noncontrolling interests.

Pursuant to this adoption, the following provisions were applied retrospectively to all periods presented in these financial statements:

- TDS reclassified noncontrolling interests, formerly known as "minority interests," from a separate caption between liabilities and equity ("mezzanine section") to a component of equity, with the exception of noncontrolling interests with redemption features, which continue to require mezzanine section presentation. Previously, minority interests generally were reported in the balance sheet in the mezzanine section.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 2 NONCONTROLLING INTERESTS (Continued)

- Consolidated net income and comprehensive income include amounts attributable to both TDS and the noncontrolling interests. Previously, net income attributable to the noncontrolling interests was reported as a deduction in arriving at consolidated net income. This presentation change does not impact the calculation of basic or diluted earnings per share, which continue to be calculated based on Net income attributable to TDS shareholders.

- Shares of TDS held by its subsidiary are reflected as treasury shares in the consolidated financial statements. Previously, these shares were not reflected as issued shares and treasury shares in the consolidated financial statements. As a result, 484,012 Common Shares and 484,012 Special Common Shares were added to both Common and Special Common Shares issued and Treasury Shares in the Consolidated Balance Sheet as of December 31, 2009 and December 31, 2008.

Pursuant to this adoption, the following provisions were applied prospectively effective January 1, 2009:

- All earnings and losses of a subsidiary are attributed to the parent and the noncontrolling interest, even if the losses attributable to the noncontrolling interest result in a deficit noncontrolling interest balance. Previously, any losses exceeding the noncontrolling interest's investment in the subsidiary were attributed to the parent. This change did not have a significant impact on TDS' financial statements in 2009.

- Once control of a subsidiary is obtained, changes in ownership interests in that subsidiary that do not result in a loss of control are accounted for as equity transactions. Previously, decreases in ownership interest in a subsidiary were accounted for as equity transactions, while increases in ownership interests in a subsidiary were accounted for as step acquisitions. Therefore, U.S. Cellular's repurchases of U.S. Cellular Common Shares in 2009 were accounted for as equity transactions in TDS' financial statements, whereby the difference between the fair value of the consideration paid and the related carrying value of the noncontrolling interests was recorded as Capital in excess of par value in TDS' Consolidated Balance Sheet. Previously, these transactions had been recorded as step acquisitions in TDS' financial statements.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 2 NONCONTROLLING INTERESTS (Continued)

The following schedule discloses the effects of net income attributable to TDS shareholders and changes in TDS' ownership interest in U.S. Cellular on TDS' equity for 2009, 2008 and 2007:

Year Ended December 31,	2009	2008(1)	2007(1)
	(Dollars in thousands)		
Net income attributable to TDS shareholders	$ 193,902	$ 93,541	$ 386,112
Transfer (to) from the noncontrolling interests Change in TDS' Capital in excess of par value from U.S. Cellular's issuance of U.S. Cellular shares	(4,709)	(11,179)	(16,959)
Change in TDS' Capital in excess of par value from U.S. Cellular's repurchase of U.S. Cellular shares	182	—	—
Purchase of ownership in subsidiary from noncontrolling interest	(105)	—	—
Net transfers (to) from noncontrolling interests	(4,632)	(11,179)	(16,959)
Change from net income attributable to TDS shareholders and transfers (to) from noncontrolling interests	$ 189,270	$ 82,362	$ 369,153

(1) During 2008 and 2007, U.S. Cellular repurchased U.S. Cellular Common Shares and/or purchased noncontrolling interests in consolidated subsidiaries. TDS accounted for these transactions as step acquisitions, pursuant to GAAP in effect at that time. The amounts recorded in these transactions are reflected in the changes in the balances of Licenses, Goodwill and Customer lists.

Mandatorily Redeemable Noncontrolling Interests in Finite-Lived Subsidiaries

Under GAAP, certain noncontrolling interests in consolidated entities with finite lives may meet the definition of mandatorily redeemable financial instruments. TDS' consolidated financial statements include certain noncontrolling interests that meet this definition of mandatorily redeemable financial instruments. These mandatorily redeemable noncontrolling interests represent interests held by third parties in consolidated partnerships and limited liability companies ("LLCs"), where the terms of the underlying partnership or LLC agreement provide for a defined termination date at which time the assets of the subsidiary are to be sold, the liabilities are to be extinguished and the remaining net proceeds are to be distributed to the noncontrolling interest holders and TDS in accordance with the respective partnership and LLC agreements. The termination dates of these mandatorily redeemable noncontrolling interests range from 2085 to 2094.

The settlement value of TDS' mandatorily redeemable noncontrolling interests in finite-lived subsidiaries is estimated to be $121.6 million at December 31, 2009. This amount represents the estimate of cash that would be due and payable to settle these noncontrolling interests assuming an orderly liquidation of the finite-lived consolidated partnerships and LLCs on December 31, 2009, net of estimated liquidation costs and it excludes redemption amounts recorded in Noncontrolling interests with redemption features in the Consolidated Balance Sheet. TDS currently has no plans or intentions relating to the liquidation of any of the related partnerships or LLCs prior to their scheduled termination dates. The corresponding carrying value of the mandatorily redeemable noncontrolling interests in finite-lived consolidated partnerships and LLCs at December 31, 2009 is $42.3 million, and is included in Noncontrolling interests in the Consolidated Balance Sheet. The excess of the aggregate settlement value over the aggregate

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 2 NONCONTROLLING INTERESTS (Continued)

carrying value of these mandatorily redeemable noncontrolling interests is due primarily to the unrecognized appreciation of the noncontrolling interest holders' share of the underlying net assets in the consolidated partnerships and LLCs. Neither the noncontrolling interest holders' share, nor TDS' share, of the appreciation of the underlying net assets of these subsidiaries is reflected in the consolidated financial statements. The estimate of settlement value was based on certain factors and assumptions which are subjective in nature. Changes in those factors and assumptions could result in a materially larger or smaller settlement amount.

NOTE 3 FAIR VALUE MEASUREMENTS

As of December 31, 2009 and 2008, TDS did not have any financial assets or liabilities that were required, under GAAP, to be recorded at fair value on a recurring basis in its Consolidated Balance Sheet. However, TDS has applied the provisions of fair value accounting for purposes of computing the fair value of financial instruments for disclosure purposes. The fair value of financial instruments was as follows:

	December 31, 2009		December 31, 2008	
	Book Value	Fair Value	Book Value	Fair Value
	(Dollars in thousands)			
Cash and cash equivalents	$ 670,992	$ 670,992	$ 777,309	$ 777,309
Short-term investments	113,275	113,275	27,705	27,705
Current portion of long-term debt(1)	2,173	1,782	14,618	14,715
Long-term debt(1)	1,488,196	1,461,976	1,617,534	1,035,554

(1) Excludes capital lease obligations.

The fair value of cash equivalents included in Cash and cash equivalents and Short-term investments approximates their book value due to the short-term nature of these financial instruments. The fair value of Current portion of long-term debt, excluding capital lease obligations, was estimated using a discounted cash flow analysis. The fair value of Long-term debt, excluding capital lease obligations, was estimated using market prices for TDS' 7.6% Series A notes and 6.625% senior notes, U.S. Cellular's 7.5% and 8.75% senior notes, and discounted cash flow analysis for remaining debt. U.S. Cellular's 8.75% senior notes were redeemed in December 2009.

As of December 31, 2009 and 2008, TDS had certain Licenses recorded at fair value in its Consolidated Balance Sheet as a result of impairment losses recognized at or proximate to these respective dates. For

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Notes to Consolidated Financial Statements

NOTE 3 FAIR VALUE MEASUREMENTS (Continued)

Licenses recorded at fair value, the following table provides information regarding their classification in the fair value hierarchy:

		Fair Value Measurements Using			
Description	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total (Losses)(1)
		(Dollars in thousands)			
Licenses recorded at fair value	$ 57,000	$ —	$ —	$ 57,000	$ (14,000)

		Fair Value Measurements Using			
Description	December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total (Losses)(1)
		(Dollars in thousands)			
Licenses recorded at fair value	$ 1,022,556	$ —	$ —	$ 1,022,556	$ (414,376)

(1) These losses represent the excess carrying value of the Licenses over their estimated fair values at the respective impairment testing dates in the fourth quarters of 2009 and 2008. Such amounts are recorded as Loss on impairment of intangible assets in the Consolidated Statement of Operations.

See Note 1—Summary of Significant Accounting Policies and Recent Accounting Pronouncements for information regarding the methods and assumptions used to estimate the fair values for Licenses and a description of the levels in the fair value hierarchy.

On January 1, 2008, TDS elected to measure, as permitted by GAAP, its Deutsche Telekom Ordinary Shares and related collars at fair value in its Consolidated Balance Sheet, and recognize future changes in fair value in its Consolidated Statement of Operations. As a result of this election, TDS recorded an adjustment to increase January 1, 2008 beginning retained earnings by $502.7 million, net of $291.2 million of income taxes. This amount reflects an unrealized gain attributable to the Deutsche Telekom Ordinary Shares of $647.3 million, net of income taxes of $374.9 million, offset by an unrealized loss on the related forward contracts of $144.6 million, net of income taxes of $83.7 million. The unrealized loss on the forward contracts was attributable to the periods from inception to June 2003. During such periods the forward contracts qualified as cash flow hedges and the changes in the fair value were recorded as a component of Accumulated other comprehensive income. There were no tax accounting implications to the Consolidated Balance Sheet or Statement of Operations upon this election other than to reclassify the related tax effects from Accumulated other comprehensive income to beginning Retained earnings, as mentioned above.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 3 FAIR VALUE MEASUREMENTS (Continued)

The following table details the Gain on investments and financial instruments included in the Consolidated Statement of Operations:

Year Ended December 31,	2009	2008	2007
	(Dollars in thousands)		
Gains (losses) on marketable equity securities and derivative instruments			
Deutsche Telekom:			
Gain on disposition of securities(1)	$ —	$ —	$ 366,684
Loss on the settlement of variable prepaid forward contracts(1)	—	—	(117,825)
Increase/(decrease) in the fair value of securities (asset)(2)	—	(294,827)	—
(Increase)/decrease in the fair value of the embedded collars in the variable prepaid forward contracts (liability)	—	295,389	(327,169)
	—	562	(78,310)
Vodafone Group Plc:			
Gain on disposition of securities(1)	—	—	178,895
Loss on the settlement of variable prepaid forward contracts(1)	—	—	(7,296)
(Increase) in the fair value of the embedded collars in the variable prepaid forward contracts (liability)	—	—	(24,901)
	—	—	146,698
VeriSign:			
Gain on disposition of securities(1)	—	—	6,234
Increase in the fair value of securities (asset)	—	—	5,171
(Increase) in the fair value of the embedded collars in the variable prepaid forward contracts (liability)	—	—	(4,671)
	—	—	6,734
Rural Cellular Corporation:			
Gain on disposition of securities	—	31,724	—
Other gains (losses)			
Sale of Midwest Wireless Communications, LLC(3)	—	—	6,301
Other	—	(691)	—
	$ —	$ 31,595	$ 81,423

(1) TDS and its subsidiaries held Vodafone ADRs, VeriSign Common Shares and Deutsche Telekom Ordinary Shares which were obtained in connection with the sale of non-strategic investments. TDS entered into a number of variable prepaid forward contracts related to the Vodafone, VeriSign and Deutsche Telekom

securities that it held. During 2007 and 2008, all forward contracts related to the Vodafone, VeriSign, and Deutsche Telekom securities were settled, and all remaining shares of these securities were sold. As a result, at December 31, 2008, TDS no longer owned Vodafone ADRs, VeriSign Common Shares and Deutsche Telekom Ordinary Shares, and no longer had any liability or other obligations under the related forward contracts.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 3 FAIR VALUE MEASUREMENTS (Continued)

(2) On January 1, 2008, TDS elected to record its investment in Deutsche Telekom Ordinary Shares at fair value in the Consolidated Statement of Operations. As a result of this election for the Deutsche Telekom Ordinary Shares, unrealized gains and losses on the shares were recorded in the Consolidated Statement of Operations as a Gain on investments and financial instruments. Prior to January 1, 2008, unrealized gains and losses on the shares were recorded in Accumulated other comprehensive income, a balance sheet account.

(3) On October 3, 2006, U.S. Cellular completed the sale of its interest in Midwest Wireless Communications, LLC ("Midwest Wireless") and recorded a gain of $70.4 million in 2006. An additional gain of $6.3 million was recorded in 2007 in connection with the release of certain proceeds held in escrow at the time of sale.

NOTE 4 INCOME TAXES

Income tax expense is summarized as follows:

Year Ended December 31,	2009	2008	2007
	(Dollars in thousands)		
Current			
Federal	$ 94,803	$ 448,041	$ 500,638
State	7,520	18,338	32,190
Foreign	—	1,633	19,273
Deferred			
Federal	24,043	(389,619)	(267,348)
State	7,010	(48,300)	(15,699)
	$ 133,376	$ 30,093	$ 269,054

A reconciliation of TDS' income tax expense computed at the statutory rate to the reported income tax expense, and the statutory federal income tax expense rate to TDS' effective income tax expense rate, is as follows:

Year Ended December 31,	2009		2008		2007	
	Amount	Rate	Amount	Rate	Amount	Rate
			(Dollars in millions)			
Statutory federal income tax expense and rate	$ 135.5	35.0%	$ 53.6	35.0%	$ 239.9	35.0%
State income taxes, net of federal benefit(1)	5.7	1.5	(15.2)	(9.9)	10.6	1.6
Effect of noncontrolling interests(2)	(4.0)	(1.1)	(5.1)	(3.3)	3.0	0.5
Effect of gains (losses) on investments, sales of assets and impairment of assets	—	—	(3.8)	(2.4)	—	—
Effect of federal unrecognized tax benefits	(1.3)	(0.3)	(0.1)	(0.1)	1.5	0.2
Foreign tax	—	—	1.1	0.7	12.5	1.8
Net research tax credit	(0.1)	—	(0.3)	(0.2)	(0.4)	(0.1)
Other differences, net	(2.4)	(0.6)	(0.1)	(0.1)	2.0	0.3
Total income tax expense and rate	$ 133.4	34.5%	$ 30.1	19.7%	$ 269.1	39.3%

(1) State income taxes include changes in the valuation allowance which is primarily related to the ability to utilize net operating losses.

(2) Includes a $4.6 million charge in 2007 related to the write-off of deferred tax assets established in prior years for certain partnerships.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 4 INCOME TAXES (Continued)

The foreign tax incurred in 2008 and 2007 related to the dividend received from Deutsche Telekom.

TDS' net current deferred income tax asset totaled $29.9 million and $27.8 million at December 31, 2009 and 2008, respectively, and primarily represents the deferred tax effects of accrued liabilities and the allowance for doubtful accounts on customer receivables.

TDS' noncurrent deferred income tax assets and liabilities at December 31, 2009 and 2008 and the temporary differences that gave rise to them were as follows:

Year Ended December 31,	2009	2008
	(Dollars in thousands)	
Noncurrent deferred tax assets		
Net operating loss ("NOL") carryforwards	$ 73,894	$ 80,946
Other	91,749	89,273
	165,643	170,219
Less valuation allowance	(62,856)	(78,760)
Total noncurrent deferred tax assets	102,787	91,459
Noncurrent deferred tax liabilities		
Property, plant and equipment	379,958	352,011
Partnership investments	63,719	53,217
Licenses	168,845	149,847
Other	8,027	8,007
Total noncurrent deferred tax liabilities	620,549	563,082
Net noncurrent deferred income tax liability	$ 517,762	$ 471,623

At December 31, 2009, TDS and certain subsidiaries had $1,263.5 million of state NOL carryforwards (generating a $69.5 million deferred tax asset) available to offset future taxable income primarily of the individual subsidiaries that generated the losses. The state NOL carryforwards expire between 2010 and 2029. Certain subsidiaries that are not included in the federal consolidated income tax return, but file separate federal tax returns, had federal NOL carryforwards (generating a $4.3 million deferred tax asset) available to offset future taxable income. The federal NOL carryforwards expire between 2010 and 2029. A valuation allowance was established for certain state NOL carryforwards and federal NOL carryforwards since it is more likely than not that a portion of such carryforwards will expire before they can be utilized.

Effective January 1, 2007, TDS adopted new requirements promulgated under GAAP related to accounting for unrecognized tax benefits. In accordance with these provisions, TDS recognized a cumulative effect adjustment of $4.4 million, decreasing its liability for unrecognized tax benefits, interest and penalties and increasing the January 1, 2007 balance of Common stockholders' equity. Of this amount, $20.7 million increased Accumulated other comprehensive income and $16.3 million represents the cumulative reduction of beginning retained earnings.

At December 31, 2009, TDS had $45.0 million in unrecognized tax benefits which, if recognized, would reduce income tax expense by $27.7 million, net of the federal benefit from state income taxes. At December 31, 2008, TDS had $39.2 million in unrecognized tax benefits, which, if recognized, would reduce income tax expense by $25.1 million, net of the federal benefit from state income taxes.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 4 INCOME TAXES (Continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2009	2008	2007
	(Dollars in thousands)		
Balance at January 1	$ 39,234	$ 42,129	$ 28,430
Additions for tax positions of current year	5,349	6,687	6,389
Additions for tax positions of prior years	4,362	4,701	8,696
Reductions for tax positions of prior years	(3,855)	(11,237)	(928)
Reductions for settlements of tax positions	—	(2,884)	(192)
Reductions for lapses in statutes of limitations	(56)	(162)	(266)
Balance at December 31	$ 45,034	$ 39,234	$ 42,129

Unrecognized tax benefits are included in Accrued taxes and Other deferred liabilities and credits in the Consolidated Balance Sheet.

As of December 31, 2009, TDS believes it is reasonably possible that unrecognized tax benefits could change significantly in the next twelve months. The nature of the uncertainty primarily relates to the exclusion of certain transactions from certain state income taxes due primarily to anticipated closure of state income tax audits and the expiration of statutes of limitation. It is anticipated that these events could reduce unrecognized tax benefits in the range of $0.4 million to $8.9 million.

TDS recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. The amounts charged to income tax expense totaled $2.9 million, $4.5 million and $2.1 million in 2009, 2008 and 2007, respectively. Net accrued interest and penalties were $16.8 million and $13.3 million at December 31, 2009 and 2008, respectively.

TDS and its subsidiaries file federal and state income tax returns. In 2008, upon completion of the audit of the TDS consolidated group's federal income tax returns for the years 2002 through 2005, the Internal Revenue Service ("IRS") issued a proposed assessment of income tax. TDS protested the proposed assessment. A tentative resolution has been reached with the IRS, which is subject to review by the Joint Committee on Taxation. Under the tentative resolution, the IRS would concede the proposed adjustments and penalties in full. Pursuant to a provision of the Internal Revenue Code, TDS made a $38 million deposit with the IRS related to this assessment in March 2009 in order to eliminate any potential interest expense subsequent to the deposit. This deposit is included in Other current assets in TDS' Consolidated Balance Sheet at December 31, 2009. Subject to Joint Committee approval of the tentative resolution with the IRS, the deposit made by TDS would be refunded to TDS by the IRS.

NOTE 5 EXTRAORDINARY ITEM

Prior to the third quarter of 2007, TDS Telecom's incumbent local exchange carrier ("ILEC") operations followed the accounting for regulated enterprises prescribed by accounting provisions now included in FASB ASC 980, *Regulated Operations* ("FASB ASC 980"). This accounting recognizes the economic effects of rate-making actions of regulatory bodies in the financial statements of the TDS Telecom ILEC operations.

During 2007, changes in TDS Telecom's business environment caused competitive forces to surpass regulatory forces such that TDS Telecom concluded that it was no longer reasonable to assume that rates set at levels that will recover the enterprise's cost can be charged to its customers.

TDS Telecom has experienced increasing access line losses due to increasing levels of competition across all of the ILEC service areas. Competition intensified in 2007 from cable and wireless operators who extended their investment beyond major markets to enable a broader range of voice and data

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 5 EXTRAORDINARY ITEM (Continued)

services that compete directly with TDS Telecom's service offerings. These alternative telecommunications providers have transformed a pricing structure historically based on the recovery of costs to a pricing structure based on market conditions. Consequently, TDS Telecom has had to alter its strategy to compete in its markets. Specifically, in the third quarter of 2007, TDS Telecom initiated an aggressive program of service bundling and deep discounting and made the decision to voluntarily exit certain revenue pools administered by the FCC-supervised National Exchange Carrier Association in order to achieve additional pricing flexibility to meet competitive pressures.

Based on these material factors impacting its operations, management determined in the third quarter of 2007 that it was no longer appropriate to continue the application of accounting provisions now included in FASB ASC 980 for reporting its financial results. Accordingly, TDS Telecom recorded a non-cash extraordinary gain of $42.8 million, net of taxes of $27.0 million, upon discontinuance of the application of accounting provisions now included in FASB ASC 980. The components of the non-cash extraordinary gain were as follows:

	Before Tax Effects	After Tax Effects
	(Dollars in thousands)	
Write off of regulatory cost of removal liability	$ 70,107	$ 43,018
Write off of other net regulatory assets	(259)	(191)
Total	$ 69,848	$ 42,827

In conjunction with the discontinuance of the accounting provisions now included in FASB ASC 980, TDS Telecom assessed the useful lives of fixed assets and determined that the impacts of any changes were not significant.

NOTE 6 VARIABLE INTEREST ENTITIES (VIEs)

From time to time, the FCC conducts auctions through which additional spectrum is made available for the provision of wireless services. U.S. Cellular, TDS' subsidiary, participated in spectrum auctions indirectly through its interests in Aquinas Wireless L.P. ("Aquinas Wireless"), King Street Wireless L.P. ("King Street Wireless"), Barat Wireless L.P. ("Barat Wireless") and Carroll Wireless L.P. ("Carroll Wireless"), collectively, the "limited partnerships." Each entity qualified as a "designated entity" and thereby was eligible for bid credits with respect to licenses purchased in accordance with the rules defined by the FCC for each auction. In most cases, the bidding credits resulted in a 25% discount from the gross winning bid.

A summary of the auctions in which each entity participated and the auction results for each of these entities are shown in the table below.

	FCC Auction	Auction End Date	Date Applications Granted by FCC	Number of Licenses Won
Aquinas Wireless	78	August 20, 2008	February 16, 2010	5
King Street Wireless	73	March 20, 2008	December 30, 2009	152
Barat Wireless	66	September 18, 2006	April 30, 2007	17
Carroll Wireless	58	February 15, 2005	January 6, 2006	16

Consolidated VIEs

As of December 31, 2009, TDS consolidates the following VIEs under GAAP:

- Aquinas Wireless;

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Notes to Consolidated Financial Statements

NOTE 6 VARIABLE INTEREST ENTITIES (VIEs) (Continued)

- King Street Wireless and King Street Wireless, Inc., the general partner of King Street Wireless;
- Barat Wireless and Barat Wireless, Inc., the general partner of Barat Wireless; and
- Carroll Wireless and Carroll PCS, Inc., the general partner of Carroll Wireless.

GAAP establishes certain criteria for consolidation of VIEs when voting control is not present. Specifically, for a VIE, as such term is defined by GAAP, an entity, referred to as the primary beneficiary, that absorbs a majority of the VIE's expected gains or losses is required to consolidate such a VIE. TDS holds a variable interest in the entities listed above due to capital contributions and/or advances it has provided to these entities. Given the significance of these contributions and/or advances in relation to the equity investments at risk, TDS was deemed to be the primary beneficiary of these VIEs under GAAP. Accordingly, these VIEs are consolidated because TDS anticipates benefiting from or absorbing a majority of these VIEs' expected gains or losses.

Following is a summary of the capital contributions and advances made to each entity by TDS as of December 31, 2009 (dollars in thousands). The amounts shown in the table below exclude funds provided to these entities solely from the shareholder of the general partner.

Aquinas Wireless	$	2,132
King Street Wireless & King Street Wireless, Inc.		300,604
Barat Wireless & Barat Wireless, Inc.		127,485
Carroll Wireless & Carroll PCS, Inc.		130,594
	$	560,815

The following table presents the classification of the consolidated VIEs' assets and liabilities in TDS' Consolidated Balance Sheet.

December 31,		2009		2008
		(Dollars in thousands)		
Assets				
Cash	$	679	$	684
Other current assets		393		63
Licenses		487,962		487,962
Property, plant and equipment		440		—
Total assets	$	489,474	$	488,709
Liabilities				
Customer deposits and deferred revenues	$	70	$	63
Total liabilities	$	70	$	63

Other Related Matters

TDS may agree to make additional capital contributions and/or advances to the VIEs discussed above and/or their general partners to provide additional funding for the development of licenses granted in the various auctions. TDS may finance such amounts with a combination of cash on hand, borrowings under its revolving credit agreement and/or long-term debt. There is no assurance that TDS will be able to obtain additional financing on commercially reasonable terms or at all to provide such financial support.

The general partner of each of these VIEs has the exclusive right to manage, operate and control the limited partnerships and make all decisions to carry on the business of the partnerships; however, the general partner needs consent of the partners to sell or lease certain licenses, to make certain large

NOTE 6 VARIABLE INTEREST ENTITIES (VIEs) (Continued)

expenditures, admit other partners, or liquidate the limited partnerships. Based on the current ownership interests, the general partner would need the consent of the U.S. Cellular subsidiary that is a limited partner in each of the respective partnerships.

The limited partnership agreements also provide the general partner with a put option whereby the general partner may require the limited partner, a subsidiary of U.S. Cellular, to purchase its interest in the limited partnership. The general partner's put options related to its interests in Carroll Wireless, Barat Wireless, King Street Wireless and Aquinas Wireless will become exercisable in 2011, 2017, 2019 and 2020 respectively. The put option price is determined pursuant to a formula that takes into consideration fixed interest rates and the market value of U.S. Cellular's Common Shares. Upon exercise of the put option, the general partner is required to repay borrowings due to U.S. Cellular. If the general partner does not elect to exercise its put option, the general partner may trigger an appraisal process in which the limited partner (a subsidiary of U.S. Cellular) may have the right, but not the obligation, to purchase the general partner's interest in the limited partnership at a price and on other terms and conditions specified in the limited partnership agreement. In accordance with requirements under GAAP, TDS is required to calculate a theoretical redemption value for all of the puts assuming they are exercisable at the end of each reporting period, even though such exercise is not contractually permitted. Pursuant to GAAP, this theoretical redemption value, net of amounts payable to U.S. Cellular for loans (and accrued interest thereon) made by U.S. Cellular to the general partners, is recorded as a component of Noncontrolling interests with redemption features in TDS' Consolidated Balance Sheet. Also per GAAP, changes in the redemption value of the put options, net of interest accrued on the loans, are recorded as a component of Net income attributable to noncontrolling interests, net of tax, in TDS' Consolidated Statements of Operations.

See Note 16—Commitments and Contingencies for additional information related to the participation of Carroll Wireless, Barat Wireless and King Street Wireless in Auction 58, Auction 66 and Auction 73, respectively.

These VIEs are in the process of developing long-term business and financing plans. These entities were formed to participate in FCC auctions of wireless spectrum and to fund, establish, and provide wireless service with respect to any FCC licenses won in the auctions. As such, these entities have risks similar to those described in the "Risk Factors" in TDS' Annual Report on Form 10-K.

NOTE 7 EARNINGS PER SHARE

Basic earnings per share is computed by dividing Net income available to common shareholders of TDS by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing Net income available to common shareholders of TDS by the weighted average number of common shares outstanding during the period adjusted to include the effect of potentially dilutive securities. Potentially dilutive securities include incremental shares issuable upon exercise of outstanding stock options and the vesting of restricted stock units.

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Notes to Consolidated Financial Statements

NOTE 7 EARNINGS PER SHARE (Continued)

The amounts used in computing earnings per share and the effects of potentially dilutive securities on income and the weighted average number of Common, Special Common and Series A Common Shares are as follows:

Year Ended December 31,	2009	2008	2007
	(Dollars and shares in thousands, except earnings per share)		
Basic earnings per share:			
Net income before extraordinary item attributable to TDS shareholders	$ 193,902	$ 93,541	$ 343,285
Preferred dividend requirement	(51)	(52)	(52)
Income before extraordinary item attributable to common shareholders	193,851	93,489	343,233
Extraordinary item, net of taxes	—	—	42,827
Net income available to common shareholders of TDS used in basic earnings per share	$ 193,851	$ 93,489	$ 386,060
Diluted earnings per share:			
Net income available to common shareholders of TDS used in basic earnings per share	$ 193,851	$ 93,489	$ 386,060
Noncontrolling interest adjustment(1)	(455)	(92)	(2,155)
Preferred dividend adjustment(2)	49	—	49
Net income available to common shareholders of TDS used in diluted earnings per share	$ 193,445	$ 93,397	$ 383,954
Weighted average number of shares used in basic earnings per share			
Common Shares	51,168	53,028	52,518
Special Common Shares	51,698	56,339	58,660
Series A Common Shares	6,473	6,450	6,446
Total	109,339	115,817	117,624
Effects of dilutive securities:			
Effects of stock options(3)	50	335	1,287
Effects of restricted stock units(4)	144	103	168
Effects of preferred shares(5)	44	—	47
Weighted average number of shares used in diluted	109,577	116,255	119,126

earnings per share						
Basic earnings per share attributable to TDS shareholders						
Net income before extraordinary item attributable to TDS shareholders	$	1.77	$	0.81	$	2.92
Extraordinary item, net of taxes		—		—		0.36
	$	1.77	$	0.81	$	3.28
Diluted earnings per share attributable to TDS shareholders						
Net income before extraordinary item attributable to TDS shareholders	$	1.77	$	0.80	$	2.86
Extraordinary item, net of taxes		—		—		0.36
	$	1.77	$	0.80	$	3.22

(1) The noncontrolling income adjustment reflects the additional noncontrolling share of U.S. Cellular's income computed as if all of U.S. Cellular's issuable securities were outstanding.

(2) The preferred dividend adjustment reflects the dividend reduction in the event any preferred series were dilutive, and therefore converted for shares.

(3) Stock options exercisable into 813,322 Common Shares and 4,237,872 Special Common Shares in 2009, 336,457 Common Shares and 1,829,969 Special Common Shares in 2008, and 106,570 Common Shares and

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Notes to Consolidated Financial Statements

NOTE 7 EARNINGS PER SHARE (Continued)

543,538 Special Common Shares in 2007 were not included in computing Diluted earnings per share because their effects were antidilutive.

(4) Restricted stock units issuable upon vesting into 107,815 Special Common Shares in 2009, 51,503 Special Common Shares in 2008 and 42,389 Special Common Shares in 2007 were not included in computing Diluted earnings per share because their effects were antidilutive.

(5) Preferred shares redeemable for 48,595 Common Shares in 2008 were not included in computing Diluted earnings per share because their effects were antidilutive.

NOTE 8 ACQUISITIONS, DIVESTITURES AND EXCHANGES

TDS assesses its existing wireless and wireline interests on an ongoing basis with a goal of improving the competitiveness of its operations and maximizing its long-term return on investment. As part of this strategy, TDS reviews attractive opportunities to acquire additional wireless operating markets, telecommunications companies, wireless spectrum and related service businesses. In addition, TDS may seek to divest outright or include in exchanges for other interests those wireless and wireline interests that are not strategic to its long-term success.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 8 ACQUISITIONS, DIVESTITURES AND EXCHANGES (Continued)

TDS' acquisitions for the years ended 2009, 2008 and 2007 and the allocation of the purchase price for these acquisitions were as follows:

	Purchase price(1)	Allocation of Purchase Price: Goodwill(2)	Licenses	Customer lists	Net tangible assets (liabilities)
	(Dollars in thousands)				
2009					
U.S. Cellular					
Licenses	$ 15,750	$ —	$ 15,750	$ —	$ —
TDS Telecom					
ILEC businesses	10,855	289	—	3,610	6,956
ILEC other	14	14	—	—	—
Total	$ 26,619	$ 303	$ 15,750	$ 3,610	$ 6,956
2008					
U.S. Cellular					
FCC Auction 73 licenses(3)	$ 300,479	$ —	$ 300,479	$ —	$ —
Other licenses	32,340	—	32,340	—	—
Businesses	9,152	2,963	4,803	1,045	341
TDS Telecom					
ILEC businesses	61,199	22,206	—	14,299	24,694
ILEC other	121	121	—	—	—
Total	$ 403,291	$ 25,290	$ 337,622	$ 15,344	$ 25,035
2007					
U.S. Cellular					
Licenses	$ 3,195	$ —	$ 3,195	$ —	$ —
Businesses	18,283	5,864	7,900	1,560	2,959
TDS Telecom					
ILEC Other	200	259	—	—	(59)
Non-reportable segment					
Businesses	2,087	1,522	—	—	565
Total	$ 23,765	$ 7,645	$ 11,095	$ 1,560	$ 3,465

(1) Cash amounts paid for the acquisitions may differ from the purchase price due to cash acquired in the transactions and working capital adjustments as of December 31 of the respective year.

(2) $1.6 million and $6.9 million of the goodwill was amortizable for income tax purposes in 2008 and 2007, respectively. No transactions resulted in tax amortizable goodwill in 2009.

(3) King Street Wireless L.P., an entity in which a subsidiary of U.S. Cellular is a limited partner with a 90% partnership interest, made these payments. U.S. Cellular loaned these funds to the partnership and the general partner and made direct capital investments to fund the auction payment.

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Notes to Consolidated Financial Statements

NOTE 9 LICENSES AND GOODWILL

Changes in TDS' licenses and goodwill are presented below. See Note 8—Acquisitions, Divestitures and Exchanges for information regarding transactions which affected licenses and goodwill during the periods.

Licenses

Year Ended December 31,	2009	2008
	(Dollars in thousands)	
Consolidated beginning balance	$ 1,441,440	$ 1,516,629
U.S. Cellular(1)		
Balance, beginning of year	1,438,640	1,513,829
Acquisitions	15,750	337,622
Impairment	(14,000)	(414,376)
Step acquisition allocation adjustment(1)	—	1,565
Other	(165)	—
	1,585	(75,189)
Balance, end of year	1,440,225	1,438,640
TDS Telecom—CLEC		
Balance, beginning and end of year	2,800	2,800
Net change—consolidated	1,585	(75,189)
Consolidated ending balance	$ 1,443,025	$ 1,441,440

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 9 LICENSES AND GOODWILL (Continued)

Goodwill

Year Ended December 31,	2009	2008
	(Dollars in thousands)	
Consolidated beginning balance	$ 1,070,419	$ 1,042,469
Accumulated impairment losses(2)	(363,340)	(363,340)
	707,079	679,129
U.S. Cellular(1)		
Balance, beginning of year	616,764	610,316
Accumulated impairment losses	(333,900)	(333,900)
	282,864	276,416
Acquisitions	—	2,963
Step acquisition allocation adjustment(1)	—	3,485
Other	458	—
Balance, end of year	617,222	616,764
Accumulated impairment losses	(333,900)	(333,900)
	283,322	282,864
TDS Telecom		
Balance, beginning of year	449,853	428,351
Accumulated impairment losses(2)	(29,440)	(29,440)
	420,413	398,911
Acquisitions	303	22,327
Other	—	(825)
Balance, end of year	450,156	449,853
Accumulated impairment losses	(29,440)	(29,440)
	420,716	420,413
Other(3)		
Balance, beginning and end of year	3,802	3,802
Accumulated impairment losses	—	—
	3,802	3,802
Net change—consolidated	761	27,950
Consolidated ending balance	1,071,180	1,070,419
Accumulated impairment losses	(363,340)	(363,340)
	$ 707,840	$ 707,079

(1) Prior to January 1, 2009, TDS accounted for U.S. Cellular's share repurchases as step acquisitions, allocating a portion of the share repurchase value to TDS licenses and goodwill, as required by GAAP in effect at that time. Therefore, prior to January 1, 2009, U.S. Cellular's balances included licenses and goodwill allocated from TDS as a result of step acquisitions. See Note 17—Common Stockholders' Equity for a discussion of U.S. Cellular's purchases of its Common Shares.

For impairment testing purposes, the additional TDS licenses and goodwill amounts are allocated to the same units of accounting and reporting units used by U.S. Cellular. In 2003, U.S. Cellular's licenses and goodwill impairment tests did not result in an impairment loss on a stand-alone basis. However, when the licenses and goodwill amounts recorded at TDS, as a result of step acquisitions, were added to the U.S. Cellular licenses and goodwill for impairment testing at the

TDS consolidated level in 2003, an impairment loss on licenses and goodwill was recorded. Consequently, U.S. Cellular's licenses and goodwill balance reported on a stand-alone basis does not match the TDS consolidated licenses and goodwill balance related to U.S. Cellular.

(2) The entire goodwill balance of $29.4 million at the TDS Telecom CLEC business segment was impaired in 2004. The remaining goodwill balance at TDS Telecom is attributed to the ILEC business segment.

(3) "Other" consists of goodwill related to Suttle-Straus.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 9 LICENSES AND GOODWILL (Continued)

See Note 1—Summary of Significant Accounting Policies and Recent Accounting Pronouncements for a description of accounting policies related to licenses and goodwill.

2009 Impairment Assessment

In 2009, TDS completed the required annual impairment assessment of its licenses and goodwill in the fourth quarter. The assessment resulted in no impairment of goodwill and an impairment loss of $14.0 million on licenses. The entire impairment loss relates to licenses in developed operating markets (built licenses).

2008 Impairment Assessment

In 2008, TDS completed the required annual impairment assessment of its licenses and goodwill in the second quarter. As a result of the deterioration in the credit and financial markets and the decline of the overall economy in the fourth quarter of 2008, TDS performed an interim impairment assessment of licenses and goodwill as of December 31, 2008. The assessment resulted in no impairment of goodwill and an impairment loss of $414.4 million on licenses. Of the $414.4 million, $357.6 million relates to licenses in developed operating markets (built licenses) and $56.8 million relates to licenses that are not being utilized (unbuilt licenses). The TDS impairment amount exceeded the U.S. Cellular impairment amount recorded on a stand-alone basis due to step acquisition allocation adjustments, which increased the carrying value of licenses at the TDS level.

2007 Impairment Assessment

During 2007, TDS recognized a $2.1 million impairment of licenses as a result of its annual impairment assessment in the second quarter of 2007. In addition, TDS recognized an impairment of licenses of $20.8 million in the fourth quarter of 2007 in conjunction with an exchange of licenses with Sprint Nextel. No impairment of goodwill was recognized in 2007.

NOTE 10 MARKETABLE EQUITY SECURITIES AND VARIABLE PREPAID FORWARD CONTRACTS

As of December 31, 2009 and 2008, TDS did not own either marketable equity securities or variable prepaid forward contracts.

Prior to August 7, 2008, TDS and its subsidiaries held 719,396 common shares of Rural Cellular Corporation ("RCC"). On August 7, 2008, RCC was acquired by Verizon Wireless, with shareholders of RCC receiving cash of $45 per share in exchange for each RCC share owned. As a result of this exchange, TDS received total cash proceeds of $32.4 million and recognized a pre-tax gain of $31.7 million in August 2008.

In 2002 and 2003, TDS entered into variable prepaid forward contracts ("forward contracts") related to the Deutsche Telekom Ordinary Shares it held. The economic hedge risk management objective of the forward contracts was to hedge the value of the marketable equity securities from losses due to decreases in the market prices of the securities while retaining a share of gains from increases in the market prices of such securities. The downside risk was hedged at or above the accounting cost basis of the securities. The principal amount of the forward contracts was accounted for as a loan. The forward contracts contained embedded collars that were bifurcated and accounted for as derivatives.

In the first half of 2008, the forward contracts related to 85,969,689 Deutsche Telekom Ordinary Shares were settled through a combination of delivery of 73,462,167 Deutsche Telekom Ordinary Shares relating to the forward contracts and cash payments. TDS sold the remaining 12,507,522 Deutsche Telekom Ordinary Shares and realized cash proceeds of $226.6 million from the sale. This amount was offset by $17.4 million and $47.4 million of cash payments paid to settle the collar (derivative liability) and debt portions of certain variable prepaid forward contracts, respectively, for which cash was delivered upon settlement.

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Notes to Consolidated Financial Statements

NOTE 10 MARKETABLE EQUITY SECURITIES AND VARIABLE PREPAID FORWARD CONTRACTS (Continued)

During 2007, the forward contracts related to TDS' investments in Vodafone ADRs, VeriSign Common Shares and a portion of the Deutsche Telekom Ordinary Shares matured. TDS delivered a substantial majority of such shares in settlement of the forward contracts and disposed of the remaining shares, which resulted in cash proceeds of $92.0 million.

NOTE 11 INVESTMENTS IN UNCONSOLIDATED ENTITIES

Investments in unconsolidated entities consist of amounts invested in wireless and wireline entities which are accounted for using either the equity or cost method as shown in the following table:

December 31,	2009	2008
	(Dollars in thousands)	
Equity method investments:		
Capital contributions, loans and advances	$ 32,244	$ 32,942
Goodwill	6,630	6,630
Cumulative share of income	798,670	708,239
Cumulative share of distributions	(649,314)	(557,612)
	188,230	190,199
Cost method investments	15,569	15,569
Total investments in unconsolidated entities	$ 203,799	$ 205,768

Investments in unconsolidated entities include goodwill and costs in excess of the underlying book value of certain investments.

Equity in earnings of unconsolidated entities totaled $90.7 million, $89.8 million and $91.8 million in 2009, 2008 and 2007, respectively; of those amounts, TDS' investment in the Los Angeles SMSA Limited Partnership ("LA Partnership") contributed $64.7 million, $66.1 million and $71.2 million in 2009, 2008 and 2007, respectively. TDS held a 5.5% ownership interest in the LA Partnership throughout and at the end of each of these years.

The following tables, which are based on information provided in part by third parties, summarize the combined assets, liabilities and equity, and the combined results of operations of TDS' equity method investments:

December 31,	2009	2008
	(Dollars in thousands)	
Assets		
Current	$ 452,000	$ 429,000
Due from affiliates	468,000	417,000
Property and other	1,921,000	1,988,000
	$ 2,841,000	$ 2,834,000
Liabilities and Equity		
Current liabilities	$ 251,000	$ 243,000
Deferred credits	71,000	75,000
Long-term liabilities	40,000	44,000
Long-term capital lease obligations	43,000	50,000
Partners' capital and stockholders' equity	2,436,000	2,422,000
	$ 2,841,000	$ 2,834,000

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Notes to Consolidated Financial Statements

NOTE 11 INVESTMENTS IN UNCONSOLIDATED ENTITIES (Continued)

Year Ended December 31,	2009	2008	2007
	(Dollars in thousands)		
Results of Operations			
Revenues	$ 4,815,000	$ 4,784,000	$ 4,519,000
Operating expenses	3,437,000	3,376,000	3,092,000
Operating income	1,378,000	1,408,000	1,427,000
Other income (expense)	42,000	26,000	32,000
Net income	$ 1,420,000	$ 1,434,000	$ 1,459,000

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

U.S. Cellular's Property, plant and equipment in service and under construction, and related accumulated depreciation, as of December 31, 2009 and 2008 were as follows:

December 31,	Useful Lives	2009	2008
	(Years)	(Dollars in thousands)	
Land	N/A	$ 26,017	$ 26,045
Buildings	20	300,285	275,307
Leasehold and land improvements	1-30	976,828	905,936
Cell site equipment	6-25	2,394,222	2,567,271
Switching equipment	1-8	862,826	877,664
Office furniture and equipment	3-5	549,871	527,592
Other operating equipment	5-25	341,988	302,640
System development	3-7	258,073	259,860
Work in process	N/A	174,197	142,068
		5,884,307	5,884,383
Accumulated depreciation		(3,282,969)	(3,264,007)
		$ 2,601,338	$ 2,620,376

U.S. Cellular's depreciation and amortization expense related to Property, plant and equipment totaled $554.9 million, $560.3 million and $559.0 million in 2009, 2008 and 2007, respectively.

In 2009, 2008 and 2007, U.S. Cellular's Loss on asset disposals, net included charges of $15.2 million, $23.4 million and $19.4 million, respectively, related to disposals of assets, trade-ins of older assets for replacement assets and other retirements of assets from service. In 2007, U.S. Cellular conducted a physical inventory of its significant cell site and switching assets. As a result, Loss on asset disposals, net also included a charge of $14.6 million in 2007 reflecting the results of the physical inventory and related valuation and reconciliation.

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Notes to Consolidated Financial Statements

NOTE 12 PROPERTY, PLANT AND EQUIPMENT (Continued)

TDS Telecom's Property, plant and equipment in service and under construction, and related accumulated depreciation, as of December 31, 2009 and 2008 were as follows:

December 31,	Useful Lives	2009	2008
	(Years)	(Dollars in thousands)	
Cable and wire	15-20	$ 1,375,201	$ 1,339,110
Central office equipment	5-12	953,211	908,178
Office furniture and equipment	5-10	87,318	93,511
Systems development	5-7	154,258	145,481
Land	N/A	6,557	6,274
Buildings	30	79,352	78,808
Other equipment	10-15	89,116	85,693
Work in process	N/A	46,877	51,648
		2,791,890	2,708,703
Accumulated depreciation		(1,911,512)	(1,790,249)
		$ 880,378	$ 918,454

The provision for TDS Telecom's ILEC companies' depreciation as a percentage of depreciable property was 5.8% in 2009, 5.7% in 2008 and 6.0% in 2007. TDS Telecom's depreciation and amortization expense related to Property, plant and equipment totaled $161.4 million, $154.5 million and $156.4 million in 2009, 2008 and 2007, respectively.

Corporate and other Property, plant and equipment in service and under construction, and related accumulated depreciation, as of December 31, 2009 and 2008 were as follows:

December 31,	2009	2008
	(Dollars in thousands)	
Property, plant and equipment	$ 84,130	$ 87,302
Accumulated depreciation	(58,001)	(57,208)
Total	$ 26,129	$ 30,094

Corporate and other fixed assets consist of assets at the TDS corporate offices and Suttle-Straus. Corporate and other depreciation and amortization expense related to Property, plant and equipment totaled $7.8 million, $8.7 million and $8.8 million in 2009, 2008 and 2007, respectively.

NOTE 13 ASSET RETIREMENT OBLIGATION

Asset retirement obligations are included in Other deferred liabilities and credits in the Consolidated Balance Sheet.

In 2009 and 2008, U.S. Cellular and TDS Telecom performed a review of the assumptions and estimated costs related to asset retirement obligations. The results of the reviews (identified as "Revisions in

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Notes to Consolidated Financial Statements

NOTE 13 ASSET RETIREMENT OBLIGATION (Continued)

estimated cash outflows") and other changes in asset retirement obligations during 2009 and 2008 are shown in the table below.

	U.S. Cellular	TDS Telecom	TDS Consolidated
	(Dollars in thousands)		
2009			
Beginning Balance	$ 148,982	$ 50,551	$ 199,533
Additional liabilities accrued	3,935	644	4,579
Revisions in estimated cash outflows	(47)	—	(47)
Acquisitions of assets	—	916	916
Disposition of assets	(1,128)	(388)	(1,516)
Accretion expense	10,923	3,620	14,543
Ending Balance	$ 162,665	$ 55,343	$ 218,008
2008			
Beginning Balance	$ 126,844	$ 46,624	$ 173,468
Additional liabilities accrued	5,310	148	5,458
Revisions in estimated cash outflows	8,321	—	8,321
Acquisitions of assets	419	741	1,160
Disposition of assets	(1,224)	(272)	(1,496)
Accretion expense	9,312	3,310	12,622
Ending Balance	$ 148,982	$ 50,551	$ 199,533

NOTE 14 DEBT

Notes Payable

Prior to June 30, 2009, TDS had a $600 million revolving credit facility available for general corporate purposes. On June 30, 2009, TDS entered into a new $400 million revolving credit agreement with certain lenders and other parties. As a result, TDS' $600 million revolving credit agreement, which was due to expire in December 2009, was terminated on June 30, 2009 as a condition of entering into the new agreement. The new revolving credit agreement provides TDS with a $400 million senior revolving credit facility for working capital, acquisitions and other corporate purposes and to refinance any existing debt of TDS. Amounts under the new revolving credit facility may be borrowed, repaid and reborrowed from time to time from and after June 30, 2009 until maturity in June 2012. At December 31, 2009, TDS had no outstanding borrowings and $3.4 million of outstanding letters of credit under the new revolving credit facility, leaving $396.6 million available for use. Borrowings under the new revolving credit facility bear interest at the London InterBank Offered Rate ("LIBOR") (or, at TDS' option, an alternate "Base Rate" as defined in the new revolving credit agreement) plus a contractual spread based on TDS' credit rating. TDS may select borrowing periods of either one, two, three or six months (or other period of twelve months or less requested by TDS if approved by the lenders). At December 31, 2009, the one-month LIBOR was 0.23% and the contractual spread was 300 basis points. If TDS provides less than three business days notice of intent to borrow, interest on borrowings is at the Base Rate plus the contractual spread (the Base Rate was 3.25% at December 31, 2009). The new revolving credit facility required TDS to pay fees at an aggregate rate of 1.6% of the total $400 million facility in 2009. Total fees paid under the new and previous TDS revolving credit facilities were $7.0 million, $1.5 million and $2.4 million in 2009, 2008 and 2007, respectively.

Prior to June 30, 2009, U.S. Cellular had a $700 million revolving credit facility available for general corporate purposes. On June 30, 2009, U.S. Cellular entered into a new $300 million revolving credit

agreement with certain lenders and other parties. As a result, U.S. Cellular's $700 million revolving credit agreement, which was due to expire in December 2009, was terminated on June 30, 2009 as a condition of entering into the new agreement. The new revolving credit agreement provides U.S. Cellular with a $300 million senior revolving credit facility for working capital, acquisitions and other corporate purposes and to refinance any existing debt of U.S. Cellular. Amounts under the new revolving credit facility may be borrowed, repaid and reborrowed from time to time from and after June 30, 2009 until maturity in June 2012. At December 31, 2009, U.S. Cellular had no outstanding borrowings and $0.2 million of outstanding letters of credit under the new revolving credit facility, leaving $299.8 million available for use. Borrowings under the new revolving credit facility bear interest at the LIBOR (or, at U.S. Cellular's option, an alternate "Base Rate" as defined in the new revolving credit agreement) plus a contractual spread based on U.S. Cellular's credit rating. U.S. Cellular may select borrowing periods of either one, two, three or six months (or other period of twelve months or less requested by U.S. Cellular if approved by the lenders). At December 31, 2009, the one-month LIBOR was 0.23% and the contractual spread was 300 basis points. If U.S. Cellular provides less than three business days notice of intent to borrow, interest on borrowings is at the Base Rate plus the contractual spread (the Base Rate was 3.25% at December 31, 2009). The new revolving credit facility required U.S. Cellular to pay fees at an aggregate rate of 1.7% of the total $300 million facility in 2009. Total fees paid under the new and previous U.S. Cellular revolving credit facilities were $5.9 million, $1.7 million and $2.8 million in 2009, 2008 and 2007, respectively.

Information concerning notes payable under the TDS and U.S. Cellular new and prior revolving credit facilities is shown in the table below:

Year Ended December 31,	2009	2008
	(Dollars in thousands)	
Balance at the end of the year	$ —	$ —
Weighted average interest rate at the end of the year	N/A	N/A
Maximum amount outstanding during the year	$ —	$ 100,000
Average amount outstanding during the year(1)	$ —	$ 20,833
Weighted average interest rate during the year(1)	N/A	3.38%

(1) The average was computed based on month-end balances.

TDS' and U.S. Cellular's interest cost on their new revolving credit facilities is subject to increase if their current credit ratings from Standard & Poor's Rating Services, Moody's Investors Service or Fitch Ratings are lowered, and is subject to decrease if the ratings are raised. The new credit facilities would not cease to be available nor would the maturity date accelerate solely as a result of a downgrade in TDS' or U.S. Cellular's credit rating. However, a downgrade in TDS' or U.S. Cellular's credit rating could adversely affect their ability to renew the new credit facilities or obtain access to other credit facilities in the future.

The new revolving credit facilities have commitment fees based on the senior unsecured debt ratings assigned to TDS and U.S. Cellular by certain ratings agencies. The range of the commitment fees is 0.25% to 0.75% of the unused portions of the new revolving credit facilities.

TDS incurred costs of $10.1 million in conjunction with obtaining the new credit facilities, and such costs are amortized on a straight line basis over the three-year term of the facilities.

The maturity date of any borrowings under the TDS and U.S. Cellular new revolving credit facilities would accelerate in the event of a change in control.

The continued availability of the new revolving credit facilities requires TDS and U.S. Cellular to comply with certain negative and affirmative covenants, maintain certain financial ratios and make

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 14 DEBT (Continued)

representations regarding certain matters at the time of each borrowing. TDS and U.S. Cellular believe they were in compliance as of December 31, 2009 with all covenants and other requirements set forth in the new revolving credit facilities.

In connection with U.S. Cellular's new revolving credit facility, TDS and U.S. Cellular entered into a subordination agreement dated June 30, 2009 together with the administrative agent for the lenders under U.S. Cellular's new revolving credit agreement. Pursuant to this subordination agreement, (a) any consolidated funded indebtedness from U.S. Cellular to TDS will be unsecured and (b) any (i) consolidated funded indebtedness from U.S. Cellular to TDS (other than "refinancing indebtedness" as defined in the subordination agreement) in excess of $105,000,000, and (ii) refinancing indebtedness in excess of $250,000,000, will be subordinated and made junior in right of payment to the prior payment in full of obligations to the lenders under U.S. Cellular's new revolving credit agreement. As of December 31, 2009, U.S. Cellular had no outstanding consolidated funded indebtedness or refinancing indebtedness that was subordinated to the revolving credit agreement pursuant to the subordination agreement.

Long-Term Debt

Long-term debt at December 31, 2009 and 2008 was as follows:

December 31,	2009	2008
	(Dollars in thousands)	
Telephone and Data Systems, Inc. (Parent):		
6.625% senior notes, maturing 2045	$ 116,250	$ 116,250
7.6% Series A notes, maturing in 2041	500,000	500,000
Purchase contracts, averaging 6.0%, due through 2021	1,097	1,097
Total Parent	617,347	617,347
Subsidiaries:		
U.S. Cellular—		
6.7% senior notes maturing in 2033	544,000	544,000
Unamortized discount	(10,798)	(11,252)
	533,202	532,748
7.5% senior notes, maturing in 2034	330,000	330,000
8.75% senior notes	—	130,000
Obligation on capital leases	4,396	4,146
Other, 9.0%	—	10,000
TDS Telecom—		
Rural Utilities Service ("RUS") and other notes	2,671	3,109
Other Subsidiaries—		
Long-term notes, 2.7%	7,801	9,409

to 10.6%, due through 2012		
Total Subsidiaries	878,070	1,019,412
Total long-term debt	1,495,417	1,636,759
Less: Current portion of long-term debt	2,509	15,337
Total long-term debt excluding current portion	$ 1,492,908	$ 1,621,422

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 14 DEBT (Continued)

Telephone and Data Systems, Inc. (Parent)

The unsecured 6.625% senior notes, issued in 2005, are due March 31, 2045. Interest on the notes is payable quarterly. TDS may redeem the notes, in whole or in part, at any time on or after March 31, 2010, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest.

The unsecured 7.6% Series A notes, issued in 2001, are due December 1, 2041. Interest is payable quarterly. The notes are redeemable by TDS at any time at 100% of the principal amount plus accrued and unpaid interest.

Subsidiaries—U.S. Cellular

The unsecured 6.7% senior notes are due December 15, 2033. Interest is paid semi-annually. U.S. Cellular may redeem the notes, in whole or in part, at any time prior to maturity at a redemption price equal to the greater of (a) 100% of the principal amount of such notes, plus accrued but unpaid interest, or (b) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 30 basis points.

The unsecured 7.5% senior notes are due June 15, 2034. Interest on the notes is payable quarterly. U.S. Cellular may redeem the notes, in whole or in part, at any time on or after June 17, 2009, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest.

The unsecured 8.75% senior notes were due November 1, 2032. Interest was paid quarterly. U.S. Cellular redeemed the notes in whole at the redemption price equal to 100% of the principal amount plus accrued and unpaid interest on December 24, 2009, which resulted in a total redemption payment of $131.7 million.

Consolidated

The annual requirements for principal payments on long-term debt are approximately $2.5 million, $1.6 million, $4.9 million, $0.3 million, $0.2 million for the years 2010 through 2014, respectively.

The covenants associated with TDS and its subsidiaries' long-term debt obligations, among other things, restrict TDS' ability, subject to certain exclusions, to incur additional liens; enter into sale and leaseback transactions; and sell, consolidate or merge assets.

NOTE 15 EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

TDS sponsors a qualified noncontributory defined contribution pension plan. The plan provides benefits for the employees of TDS Corporate, TDS Telecom and U.S. Cellular. Under this plan, pension costs are calculated separately for each participant and are funded annually. Total pension costs were $18.8 million, $16.8 million and $14.1 million in 2009, 2008 and 2007, respectively. In addition, TDS sponsors a defined contribution retirement savings plan ("401(k)") plan. Total costs incurred from TDS' contributions to the 401(k) plan were $20.9 million, $20.6 million and $17.2 million in 2009, 2008 and 2007, respectively.

TDS also sponsors an unfunded nonqualified deferred supplemental executive retirement plan for certain employees to offset the reduction of benefits caused by the limitation on annual employee compensation under the tax laws.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 15 EMPLOYEE BENEFIT PLANS (Continued)

Other Post-Retirement Benefits

TDS sponsors a defined benefit post-retirement plan that provides medical benefits and that covers most of the employees of TDS Corporate, TDS Telecom and the subsidiaries of TDS Telecom. The plan is contributory, with retiree contributions adjusted annually. The plan anticipates future cost sharing changes that reflect TDS' intent to increase retiree contributions as a portion of total cost.

In 2009, TDS amended its defined benefit post-retirement plan that provides medical benefits to retirees. Under this plan, TDS provides a subsidy to retirees to pay for various medical plan options. The amendments introduced subsidy caps that will become effective in 2011. For current retirees and future retirees, the amendments reduce the future subsidies by varying amounts. For new employees hired on or after January 1, 2010, the subsidy is eliminated. The plan amendments reduced the plan's benefit obligation by $26.1 million. This amount is included in TDS' December 31, 2009 Accumulated other comprehensive income as a component of net prior service costs.

The following amounts are included in Accumulated other comprehensive income, before affecting such amounts for income taxes:

December 31,	2009	2008
	(Dollars in thousands)	
Net prior service costs	$ 33,804	$ 4,158
Net actuarial loss	(34,765)	(31,871)
	$ (961)	$ (27,713)

The estimated net actuarial loss and prior service cost gain for the postretirement benefit plans that will be amortized from Accumulated other comprehensive income into net periodic benefit cost during 2010 are $2.2 million and $(3.8) million, respectively.

The following amounts are included in Accumulated other comprehensive income ("AOCI"):

December 31, 2009	Before-Tax	Deferred Tax (Expense) or Benefit	Net-of-Tax
		(Dollars in thousands)	
Net actuarial gains (losses)	$ (4,700)	$ 2,169	$ (2,531)
Prior service cost	30,447	(14,054)	16,393
Amortization of prior service costs	(801)	370	(431)
Amortization of actuarial losses	1,806	(833)	973
Total gains (losses) recognized in AOCI	$ 26,752	$ (12,348)	$ 14,404

December 31, 2008	Before-Tax	Deferred Tax (Expense) or Benefit	Net-of-Tax
		(Dollars in thousands)	
Net actuarial gains (losses)	$ (13,193)	$ 4,927	$ (8,266)
Prior service cost	(355)	133	(222)
Amortization of prior service costs	(830)	310	(520)
Amortization of actuarial losses	968	(362)	606
Total gains (losses) recognized in AOCI	$ (13,410)	$ 5,008	$ (8,402)

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 15 EMPLOYEE BENEFIT PLANS (Continued)

The following table reconciles the beginning and ending balances of the benefit obligation and the fair value of plan assets for the other post-retirement benefit plans.

December 31,	2009	2008
	(Dollars in thousands)	
Change in benefit obligation		
Benefit obligation at beginning of year	$ 59,600	$ 57,078
Acquisition of ILEC	—	971
Service cost	2,140	2,001
Interest cost	3,616	3,451
Plan amendments	(30,447)	355
Actuarial (gain) loss	10,688	(1,651)
Prescription drug subsidy	237	237
Benefits paid	(3,136)	(2,842)
Benefit obligation at end of year	42,698	59,600
Change in plan assets		
Fair value of plan assets at beginning of year	33,612	41,886
Acquisition of ILEC	—	1,774
Actual return (loss) on plan assets	8,788	(11,259)
Employer contribution	3,143	4,053
Benefits paid	(3,136)	(2,842)
Fair value of plan assets at end of year	42,407	33,612
Funded status	$ (291)	$ (25,988)

The benefit obligations identified above are recorded as a component of Other deferred liabilities and credits in TDS' Consolidated Balance Sheet.

The following table sets forth by level within the fair value hierarchy the plans' assets at fair value, as of December 31, 2009 and 2008. See Note 1—Summary of Significant Accounting Policies and Recent Accounting Pronouncements for definitions of the levels in the fair value hierarchy.

December 31, 2009	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Mutual funds				
Corporate bond	$ 10,986	$ —	$ —	$ 10,986
International growth	8,112	—	—	8,112
Money market	2,208	—	—	2,208
US large cap	17,333	—	—	17,333
US small cap	3,735	—	—	3,735
Other	—	—	33	33
Total plan assets at fair value	$ 42,374	$ —	$ 33	$ 42,407

NOTE 15 EMPLOYEE BENEFIT PLANS (Continued)

December 31, 2008	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Mutual funds				
Corporate bond	$ 8,728	$ —	$ —	$ 8,728
International growth	6,058	—	—	6,058
Money market	1,652	—	—	1,652
US large cap	13,449	—	—	13,449
US small cap	3,152	—	—	3,152
Other	—	—	573	573
Total plan assets at fair value	$ 33,039	$ —	$ 573	$ 33,612

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. A financial instrument's level within the fair value hierarchy is not representative of its expected performance or its overall risk profile, and therefore Level 3 assets are not necessarily higher risk than Level 2 assets or Level 1 assets.

Mutual funds are valued based on the closing price reported on the active market on which the individual securities are traded. The investment strategy for each type of mutual fund is identified below:

Corporate bond—The funds seek to achieve a maximum total return, consistent with preservation of capital and prudent investment management by investing in a wide spectrum of fixed income instruments including bonds, debt securities and other similar instruments issued by U.S., non-U.S. and private-sector entities.

International growth—The funds seek to provide long-term capital appreciation by investing in the stocks of companies located outside the United States that are considered to have the potential for above-average capital appreciation.

Money market—The fund seeks as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity by investing in a diversified portfolio of high-quality, dollar-denominated short-term debt securities.

US large cap—The funds seek to track the performance of several benchmark indices that measure the investment return of large-capitalization stocks. The fund attempts to replicate the indices by investing substantially all of its assets in the stocks that make up the various indices in approximately the same proportion as the weighting in the indices.

US small cap—The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks. The fund attempts to replicate the index by investing substantially all of its assets in the stocks that make up the index in approximately the same proportion as the weighting in the index.

The following table summarizes how plan assets are invested.

Investment Category	Target Asset Allocation	Allocation of Plan Assets At December 31, 2009	2008
U.S. equities	50%	49.7%	51.1%
International equities	20%	19.1%	18.0%
Debt securities	30%	31.2%	30.9%

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 15 EMPLOYEE BENEFIT PLANS (Continued)

The post-retirement benefit fund engages multiple asset managers to ensure proper diversification of the investment portfolio within each asset category. The investment objective is to meet or exceed the rate of return of a performance index comprised of 50% Dow Jones U.S. Total Stock Market Index, 20% FTSE All World (excluding U.S.) Stock Index, and 30% Barclays Capital Aggregate Bond Index. The three-year and five-year average rates of return for TDS' post-retirement benefit fund are (0.4)% and 3.6%, respectively.

The post-retirement benefit fund does not hold any debt or equity securities issued by TDS, U.S. Cellular or any related parties.

TDS is not required to set aside current funds for its future retiree health and life insurance benefits. The decision to contribute to the plan assets is based upon several factors, including the funded status of the plan, market conditions, alternative investment opportunities, tax benefits and other circumstances. In accordance with applicable income tax regulations, total accumulated contributions to fund the costs of future retiree medical benefits are restricted to an amount not to exceed 25% of the total accumulated contributions to the trust. An additional contribution equal to a reasonable amortization of the past service cost may be made without regard to the 25% limitation. TDS does not expect to make a contribution to the plan in 2010.

Net periodic benefit cost recorded in the Consolidated Statement of Operations includes the following components:

Year Ended December 31,	2009	2008	2007
	(Dollars in thousands)		
Service cost	$ 2,140	$ 2,001	$ 2,437
Interest cost on accumulated post-retirement benefit obligation	3,616	3,451	3,432
Expected return on plan assets	(2,800)	(3,585)	(3,284)
Amortization of:			
Unrecognized prior service cost(1)	(801)	(830)	(830)
Unrecognized net loss(2)	1,806	968	1,362
Net post-retirement cost	$ 3,961	$ 2,005	$ 3,117

(1) Based on straight-line amortization over the average time remaining before active employees become fully eligible for plan benefits.

(2) Based on straight-line amortization over the average time remaining before active employees retire.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 15 EMPLOYEE BENEFIT PLANS (Continued)

The following assumptions were used to determine benefit obligations and net periodic benefit cost:

December 31,	2009	2008
Benefit obligations		
Discount rate	5.60%	6.20%
Net periodic benefit cost		
Discount rate	6.20%	6.20%
Expected return on plan assets	8.25%	8.50%

In determining the discount rate for 2009 and 2008, TDS used a hypothetical Aa spot yield curve represented by a series of annualized individual discount rates from six months to thirty years. Each discount rate in the curve was derived by using a hypothetical zero coupon bond from an equal weighting of the bonds in distinct maturity groups. Only those bonds with yields to maturity in the top half of each maturity group were used to construct the yield curve. This yield curve, when populated with projected cash flows that represent the expected timing and amount of TDS plan benefit payments, produces a single effective interest discount rate that is used to measure the plan's liabilities.

A 1% increase or decrease in the discount rate would have the following effects:

	One Percent	
	Increase	Decrease
	(Dollars in thousands)	
Effect on total net periodic postretirement benefit cost	$ (500)	$ 500
Effect on post-retirement benefit obligation	$ (4,800)	$ 5,500

The measurement date for actuarial determination was December 31, 2009. For measurement purposes, the annual rate of increase in the per capita cost of covered health care benefits was assumed for 2009 to be 8.7% for plan participants aged 65 and above, and 7.7% for participants under age 65. For all participants the 2009 annual rate of increase is expected to decrease to 5.0% by 2020. The 2008 expected rate of increase was 9.3% for plan participants aged 65 and above, and 8.0% for participants under age 65, decreasing to 5.0% by 2015.

A 1% increase or decrease in assumed health care cost trend rates would have the following effects:

	One Percent	
	Increase	Decrease
	(Dollars in thousands)	
Effect on total service and interest cost components	$ 42	$ (41)
Effect on post-retirement benefit obligation	$ 588	$ (564)

NOTE 15 EMPLOYEE BENEFIT PLANS (Continued)

The following estimated future benefit payments, which reflect expected future service, are expected to be paid:

Year	Estimated Future Post-Retirement Benefit Payments
	(Dollars in thousands)
2010	$ 2,356
2011	2,302
2012	2,216
2013	2,223
2014	2,213
Thereafter	13,218

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was enacted. The Act expanded Medicare coverage, primarily by adding a prescription drug benefit for Medicare-eligible participants starting in 2006. The Act provided employers currently sponsoring prescription drug programs for Medicare-eligible participants with a range of options for coordinating with the new government-sponsored program to potentially reduce employers' costs. One alternative allowed employers to receive a subsidy from the federal government for all retirees enrolled in the employer-sponsored prescription drug plan. The plan qualifies for and receives this federal subsidy on an annual basis.

TDS' accumulated postretirement benefit obligation ("APBO") has been reduced by approximately $2.7 million and $15.9 million as of December 31, 2009 and December 31, 2008 as a result of this subsidy. Prior to the amendments made to the plan in 2009 related to the subsidy provided by TDS to retirees, that are described above, the plan was projected to remain eligible for the Medicare subsidy reimbursement indefinitely. After the amendments, the plan is only projected to remain eligible for the Medicare subsidy through the year 2016.

The effect of the Medicare subsidy reduced TDS' 2009, 2008 and 2007 net periodic postretirement benefit cost by $2.3 million, $1.9 million and $2.7 million, respectively. TDS received a Medicare subsidy of $0.2 million for 2007 in 2009 and $0.2 million for 2006 in 2008. During 2010 and 2011, TDS expects to receive Medicare subsidies of $0.3 million and $0.3 million for 2008 and 2009, respectively.

NOTE 16 COMMITMENTS AND CONTINGENCIES

Lease Commitments

TDS and its subsidiaries have leases for certain plant facilities, office space, retail store sites, cell sites and data-processing equipment which are accounted for as operating leases. Certain leases have renewal options and/or fixed rental increases. Renewal options that are reasonably assured of exercise are included in determining the lease term. Any rent abatements or lease incentives, in addition to fixed rental increases, are included in the calculation of rent expense and calculated on a straight-line basis over the defined lease term.

TDS accounts for certain lease agreements as capital leases. The short- and long-term portions of capital lease obligations totaled $0.3 million and $4.7 million, respectively, as of December 31, 2009 and $0.7 million and $3.9 million, respectively, as of December 31, 2008. The short- and long-term portions of capital lease obligations are included in Current portion of long-term debt and Long-term debt in the Consolidated Balance Sheet.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 16 COMMITMENTS AND CONTINGENCIES (Continued)

As of December 31, 2009, future minimum rental payments required under operating and capital leases and rental receipts expected under operating leases that have noncancellable lease terms in excess of one year were as follows:

	Operating Leases— Future Minimum Rental Payments	Operating Leases— Future Minimum Rental Receipts	Capital Leases— Future Minimum Rental Payments
		(Dollars in thousands)	
2010	$ 148,002	$ 29,988	$ 799
2011	131,411	24,694	817
2012	105,824	19,151	658
2013	85,964	12,278	554
2014	62,981	6,105	563
Thereafter	566,049	959	6,252
Total	$ 1,100,231	$ 93,175	9,643
Less: Interest expense			(4,595)
Present value of minimum lease payments			5,048
Less: Current portion of obligations under capital leases			(336)
Long-term portion of obligations under capital leases			$ 4,712

For 2009, 2008 and 2007, rent expense for noncancellable long-term leases was $162.5 million, $154.3 million and $147.4 million, respectively; and rent expense under cancelable short-term leases was $11.5 million, $12.7 million and $12.8 million, respectively. During 2009, TDS recorded a $6.5 million out-of-period adjustment to correct rent expense. Management does not believe that the adjustment is material to the current year or any prior year earnings, earnings trends or financial statement line items. The adjustment was recorded in the quarter ended December 31, 2009 and no prior periods were adjusted. The impact of the out-of-period adjustment on the affected line items in the Consolidated Statement of Operations in 2009 is as follows:

(Amounts in thousands)	Increase (Decrease)
Cost of services and products	$ (5,813)
Selling, general and administrative	(696)
Total operating expenses	(6,509)
Operating income	6,509
Income before income taxes	6,509

Rental revenue totaled $31.8 million, $26.8 million and $23.8 million in 2009, 2008 and 2007, respectively.

Indemnifications

TDS enters into agreements in the normal course of business that provide for indemnification of counterparties. These agreements include certain asset sales and financings with other parties. The terms of the indemnification vary by agreement. The events or circumstances that would require TDS to perform under these indemnities are transaction specific; however, these agreements may require TDS to indemnify the counterparty for costs and losses incurred from litigation or claims arising from the underlying transaction. TDS is unable to estimate the maximum potential liability for these types of indemnifications as the amounts are dependent on the outcome of future events, the nature and

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 16 COMMITMENTS AND CONTINGENCIES (Continued)

likelihood of which cannot be determined at this time. Historically, TDS has not made any significant indemnification payments under such agreements.

Legal Proceedings

In February 2009, the United States Department of Justice ("DOJ") notified TDS and U.S. Cellular, a subsidiary of TDS, that each was a named defendant in a civil action brought by a private party in the U.S. District Court for the District of Columbia under the "qui tam" provisions of the federal False Claims Act. TDS and U.S. Cellular were advised that the complaint seeks return of approximately $165 million of bid credits from certain FCC auctions and requests treble damages. The complaint was under seal while the DOJ considered whether to intervene in the proceeding. On October 13, 2009, TDS and U.S. Cellular were advised that the DOJ had determined not to intervene in the proceeding. As a result of the complaint, the DOJ had investigated TDS' and U.S. Cellular's participation in certain spectrum auctions conducted by the FCC between 2005 and 2008, through Carroll Wireless, L.P., Barat Wireless, L.P., and King Street Wireless, L.P. Carroll Wireless, L.P., Barat Wireless, L.P. and King Street Wireless, L.P. were winning bidders in Auction 58, Auction 66 and Auction 73, respectively. These limited partnerships received a 25% bid credit in the applicable auction price under FCC rules. The DOJ investigated whether these limited partnerships qualified for the 25% bid credit in auction price considering their arrangements with TDS and U.S. Cellular. In addition, on October 13, 2009, the District Court unsealed the complaint. At that time, the District Court also ordered that, if the private party plaintiff decides to pursue the matter, it must serve the complaint on TDS and U.S. Cellular within 120 days. On January 12, 2010, the private party plaintiff filed a request to voluntarily dismiss the complaint and, on January 13, 2010, the U.S. District Court for the District of Columbia issued an order dismissing the complaint. The FCC sent a letter to King Street Wireless, L.P. requesting that it submit to the FCC a written response to the allegations in the complaint. King Street Wireless, L.P. made this submission as requested by the FCC on May 8, 2009. Following completion of its review of the matter, on December 30, 2009, the FCC issued a public notice announcing the grant to King Street Wireless, L.P. of all licenses with respect to which it had been the high bidder in Auction 73.

TDS is involved or may be involved from time to time in legal proceedings before the FCC, other regulatory authorities, and/or various state and federal courts. If TDS believes that a loss arising from such legal proceedings is probable and can be reasonably estimated, an amount is accrued in the financial statements for the estimated loss. If only a range of loss can be determined, the best estimate within that range is accrued; if none of the estimates within that range is better than another, the low end of the range is accrued. The assessment of the expected outcomes of legal proceedings is a highly subjective process that requires judgments about future events. The legal proceedings are reviewed at least quarterly to determine the adequacy of accruals and related financial statement disclosures. The ultimate outcomes of legal proceedings could differ materially from amounts accrued in the financial statements.

NOTE 17 COMMON STOCKHOLDERS' EQUITY

Tax-Deferred Savings Plan

TDS has reserved 45,000 Common Shares and 45,000 Special Common Shares at December 31, 2009, for issuance under the TDS Tax-Deferred Savings Plan, a qualified profit-sharing plan pursuant to Sections 401(a) and 401(k) of the Internal Revenue Code. Participating employees have the option of investing their contributions and TDS' contributions in a TDS Common Share fund, a TDS Special Common Share fund, a U.S. Cellular Common Share fund or certain unaffiliated funds.

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Notes to Consolidated Financial Statements

NOTE 17 COMMON STOCKHOLDERS' EQUITY (Continued)

Common Stock

The holders of Common Shares and Special Common Shares are entitled to one vote per share. The holders of Common Shares have full voting rights; the holders of Special Common Shares have limited voting rights. Other than the election of directors, the Special Common Shares have no votes except as otherwise required by law. The holders of Series A Common Shares are entitled to ten votes per share. Series A Common Shares are convertible, on a share for share basis, into Common Shares or Special Common Shares. TDS has reserved 6,492,000 Common Shares and 6,730,000 Special Common Shares at December 31, 2009, for possible issuance upon such conversion.

The following table summarizes the number of Common, Special Common and Series A Common Shares issued and repurchased.

	Common Shares	Special Common Shares	Common Treasury Shares	Special Common Treasury Shares	Series A Common Shares
	(Shares in thousands)				
Balance December 31, 2006(1)	57,042	63,425	(5,160)	(5,160)	6,445
Repurchase of shares	—	—	—	(2,077)	—
Conversion of Series A Common Shares	10	—	—	—	(10)
Dividend reinvestment, incentive and compensation plans	13	5	1,243	2,041	7
Balance December 31, 2007	57,065	63,430	(3,917)	(5,196)	6,442
Repurchase of shares	—	—	(1,556)	(4,306)	—
Conversion of Series A Common Shares	4	—	—	—	(4)
Dividend reinvestment, incentive and compensation plans	13	12	38	150	23
Balance December 31, 2008	57,082	63,442	(5,435)	(9,352)	6,461
Repurchase of shares	—	—	(1,854)	(4,520)	—
Dividend reinvestment, incentive and compensation plans	—	—	12	155	31
Balance December 31, 2009	57,082	63,442	(7,277)	(13,717)	6,492

(1) Previously, shares of TDS held by its subsidiary were not reflected as issued shares and treasury shares in the consolidated financial statements. Effective January 1, 2009, these shares are reflected as treasury shares pursuant to the adoption of new required provisions under GAAP related to the accounting and reporting for noncontrolling interests. See Note 2—Noncontrolling Interests for additional details on changes to accounting and reporting for noncontrolling interests.

Share Repurchase Programs

On November 19, 2009, the Board of Directors of TDS authorized a new $250 million stock repurchase program for both TDS Common and Special Common Shares from time to time pursuant to open market purchases, block transactions, private purchases or otherwise, depending on market conditions. This new authorization will expire on November 19, 2012.

On November 17, 2009, the Board of Directors of U.S. Cellular authorized the repurchase of up to 1,300,000 Common Shares on an annual basis beginning in 2009 and continuing each year thereafter, on a cumulative basis. These purchases will be made pursuant to open market purchases, block

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Notes to Consolidated Financial Statements

NOTE 17 COMMON STOCKHOLDERS' EQUITY (Continued)

purchases, private purchases, or otherwise, depending on market prices and other conditions. This authorization does not have an expiration date.

Share repurchases made under these authorizations and prior authorizations, were as follows:

Year Ended December 31,	Number of Shares	Average Cost Per Share	Amount(2)
	(Dollars amounts and shares in thousands)		
2009			
U.S. Cellular Common Shares	887	$ 37.86	$ 33,585
TDS Common Shares	1,854	29.71	55,103
TDS Special Common Shares	4,520	26.88	121,497
2008			
U.S. Cellular Common Shares	600	$ 54.87	$ 32,920
TDS Common Shares	1,556	28.69	44,624
TDS Special Common Shares	4,306	35.99	154,983
2007			
U.S. Cellular Common Shares	—	$ —	$ —
U.S. Cellular Common Shares purchased through ASR transactions(1)	1,006	82.85	83,348
TDS Common Shares	—	—	—
TDS Special Common Shares	2,077	60.99	126,668

(1) TDS received $4.6 million in 2008 as a final cash settlement of U.S. Cellular Common Share repurchases executed in 2007 through accelerated share repurchase transactions with an investment banking firm.

(2) Amounts reported on the Consolidated Statement of Cash Flows may differ from these amounts due to repurchases and subsequent cash settlements occurring in different years.

TDS' ownership percentage of U.S. Cellular increases upon U.S. Cellular share repurchases. Prior to January 1, 2009, TDS accounted for U.S. Cellular's purchases of U.S. Cellular Common Shares as step acquisitions using purchase accounting, as required by GAAP in effect at that time. See Note 9—Licenses and Goodwill for details on the amounts allocated to goodwill and intangible assets related to the repurchase of U.S. Cellular Common Shares in 2008. Subsequent to January 1, 2009, TDS accounts for U.S. Cellular's purchases of U.S. Cellular Common Shares as equity transactions. See Note 1—Summary of Significant Accounting Policies and Recent Accounting Pronouncements for additional information on the adoption of the revised provisions under GAAP for business combinations and Note 2—Noncontrolling Interests for additional information on the adoption of revised provisions related to the accounting for noncontrolling interests.

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Notes to Consolidated Financial Statements

NOTE 17 COMMON STOCKHOLDERS' EQUITY (Continued)

Accumulated Other Comprehensive Income

The changes in the cumulative balance of Accumulated other comprehensive income were as follows:

Year Ended December 31,	2009	2008
	(Dollars in thousands)	
Marketable equity securities		
Balance, beginning of period (prior to the adjustment)	$ 608	$ 665,377
Cumulative effect adjustment related to fair value accounting(1)	—	(647,260)
Balance, beginning of period (including the adjustment)	608	18,117
Add (deduct):		
Unrealized gain on marketable equity securities	—	654
Deferred income taxes	—	(251)
	—	403
Unrealized gains/(losses) of equity method companies	(302)	221
Noncontrolling share of unrealized gains	—	(17)
Net change in unrealized gains/(losses)	(302)	607
Recognized gain on sale of marketable equity securities(2)	—	(31,725)
Deferred income taxes	—	11,647
	—	(20,078)
Noncontrolling share of recognized gain	—	1,962
Net recognized gain	—	(18,116)
Net change in marketable equity securities	(302)	(19,454)
Net change attributable to noncontrolling interests	—	1,945
Net change attributable to TDS stockholders	(302)	(17,509)
Balance, end of period	$ 306	$ 608
Derivative instruments		
Balance, beginning of period (prior to the adjustment)	$ —	$ (144,583)
Cumulative effect adjustment related to fair value accounting(1)	—	144,583
Balance, beginning of period (including the adjustment)	—	—
Net change in derivative instruments	—	—
Balance, end of period	$ —	$ —
Retirement plan		
Balance, beginning of period	$ (17,420)	$ (9,018)

Add (deduct):				
Amounts included in net periodic benefit cost for the period				
Net actuarial loss		(4,700)		(13,193)
Prior service cost		30,447		(355)
Amortization of prior service cost		(801)		(830)
Amortization of unrecognized net loss		1,806		968
		26,752		(13,410)
Deferred income taxes		(12,348)		5,008
Net change in retirement plan		14,404		(8,402)
Balance, end of period	$	(3,016)	$	(17,420)

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 17 COMMON STOCKHOLDERS' EQUITY (Continued)

Year Ended December 31,	2009	2008
	(Dollars in thousands)	
Accumulated other comprehensive income		
Balance, beginning of period (prior to the adjustment)	$ (16,812)	$ 511,776
Cumulative effect adjustment related to fair value accounting(1)	—	(502,677)
Balance, beginning of period (including the adjustment)	(16,812)	9,099
Add (deduct):		
Net change in marketable equity securities and equity method investments	(302)	(19,454)
Net change in derivative instruments	—	—
Net change in retirement plan	14,404	(8,402)
Net change included in comprehensive income	14,102	(27,856)
Less: Net change attributable to noncontrolling interests	—	1,945
Net change attributable to TDS stockholders	14,102	(25,911)
Balance, end of period	$ (2,710)	$ (16,812)

(1) As permitted under GAAP, TDS elected to adopt fair value accounting for its investment in Deutsche Telekom Ordinary Shares and for the "collar" portions of the variable prepaid forward contracts related to such Deutsche Telekom Ordinary Shares as of January 1, 2008. This election, referred to as the fair value option, was made in order to better align the financial statement presentation of the unrealized gains and losses attributable to these items with their underlying economics. Entities which elect the fair value option are required to record a cumulative-effect adjustment to beginning retained earnings at the date of adoption. In subsequent periods, for those instruments for which the fair value option is elected, unrealized gains and losses are recorded in the Statement of Operations. See Note 3—Fair Value Measurements for additional details related to the cumulative effect adjustment related to fair value accounting.

(2) See Note 10—Marketable Equity Securities and Variable Prepaid Forward Contracts for additional details on the disposition of marketable equity securities.

NOTE 18 STOCK-BASED COMPENSATION

TDS Consolidated

The following table summarizes stock-based compensation expense recognized during 2009, 2008 and 2007:

Year Ended December 31,	2009	2008	2007
		(Dollars in thousands)	
Stock option awards	$ 17,075	$ 10,013	$ 18,961
Restricted stock unit awards	13,823	11,125	12,400
Deferred compensation matching stock unit awards	281	389	155
Employee stock purchase plans	471	469	229

Awards under non-employee directors' compensation plan	836	697	146
Total stock-based compensation, before income taxes	32,486	22,693	31,891
Income tax benefit	(12,228)	(8,354)	(11,783)
Total stock-based compensation expense, net of income taxes	$ 20,258	$ 14,339	$ 20,108

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 18 STOCK-BASED COMPENSATION (Continued)

At December 31, 2009, unrecognized compensation cost for all stock-based compensation awards was $31.4 million. The unrecognized compensation cost for stock-based compensation awards at December 31, 2009, is expected to be recognized over a weighted average period of 1.3 years.

In 2009, 2008 and 2007, stock-based compensation expense of $30.0 million, $21.0 million and $30.0 million, respectively, was recorded in Selling, general and administrative expense and $2.5 million, $1.7 million and $1.9 million, respectively, was recorded in Cost of services and products.

TDS' tax benefits from the exercise of stock options and other awards totaled $3.5 million in 2009.

TDS (excluding U.S. Cellular)

The information in this section relates to stock-based compensation plans using the equity instruments of TDS. Participants in these plans are generally employees of TDS Corporate and TDS Telecom, although U.S. Cellular employees are eligible to participate in the TDS Employee Stock Purchase Plan. Information related to plans using the equity instruments of U.S. Cellular are shown in the U.S. Cellular section following the TDS section.

Under the TDS 2004 Long-Term Incentive Plan, TDS may grant fixed and performance-based incentive and non-qualified stock options, restricted stock, restricted stock units, and deferred compensation stock unit awards to key employees. TDS had reserved 1,960,000 Common Shares and 9,221,000 Special Common Shares at December 31, 2009 for equity awards granted and to be granted under this plan. At December 31, 2009 the only types of awards outstanding are fixed non-qualified stock option awards, restricted stock unit awards, and deferred compensation stock unit awards. As of December 31, 2009, TDS also had reserved 119,000 Special Common Shares under an employee stock purchase plan. The maximum number of TDS Common Shares and TDS Special Common Shares that may be issued to employees under all stock-based compensation plans in effect at December 31, 2009 was 1,960,000 and 9,340,000 shares, respectively. TDS has also created a Non-Employee Directors' Plan under which it has reserved 92,000 TDS Special Common Shares as of December 31, 2009 for issuance as compensation to members of the Board of Directors who are not employees of TDS. When shares are issued upon stock option exercises or restricted stock unit vesting, TDS uses treasury shares.

Long-Term Incentive Plan—Stock Options—Stock options granted to key employees are exercisable over a specified period not in excess of ten years. Stock options generally vest over periods up to three years from the date of grant. Stock options outstanding at December 31, 2009 expire between 2010 and 2019. However, vested stock options typically expire 30 days after the effective date of an employee's termination of employment for reasons other than retirement. Employees who leave at the age of retirement have 90 days (or one year if they satisfy certain requirements) within which to exercise their vested stock options. The exercise price of the option generally equals the market value of TDS common stock on the date of grant.

TDS options granted in 2007 became exercisable on December 15, 2007. TDS options granted in 2008 and 2009 become exercisable with respect to one-third of the number of shares subject to the option on each of the first, second and third anniversaries of the grant date. As a result of this change, the expense related to options granted in 2008 and 2009 will be reflected over a three year period, instead of entirely in the year of grant as in 2007. As a result, the amount of expense recognized related to stock option awards in 2009 and 2008 is lower than the corresponding expense amount recognized in 2007.

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Notes to Consolidated Financial Statements

NOTE 18 STOCK-BASED COMPENSATION (Continued)

TDS estimated the fair value of stock options granted in 2009, 2008 and 2007 using the Black-Scholes valuation model and the assumptions shown in the table below:

	2009	2008	2007
Expected life	5.1 Years	5.0 Years	4.0 Years
Expected annual volatility rate	43.01%	25.95%	19.50%
Dividend yield	1.60%	1.16%	0.70%
Risk-free interest rate	2.46%	3.06%	4.70%
Estimated annual forfeiture rate	1.88%	1.88%	1.00%

Any employee with stock options granted prior to the date of the TDS Special Common Share dividend on May 13, 2005, receives one Common Share and one Special Common Share per tandem option exercised. Each tandem option is exercisable at its original exercise price. TDS options granted after the distribution of the TDS Special Common Share dividend will receive one Special Common Share per option exercised.

A summary of TDS stock options (total and portion exercisable) and changes during the three years ended December 31, 2009, is presented in the tables and narrative below:

Tandem Options	Number of Tandem Options(1)	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding at December 31, 2006	2,254,000	$76.59			
(2,193,000 exercisable)		76.89			
Exercised	(1,205,000)	74.21		$58,233,000	
Forfeited	(1,000)	65.96			
Expired	(11,000)	77.69			
Outstanding at December 31, 2007	1,037,000	$79.25			
(1,037,000 exercisable)		79.25			
Exercised	(48,000)	42.88		$ 2,873,000	
Forfeited	—	—			
Expired	(2,000)	81.26			
Outstanding at December 31, 2008	987,000	$81.03			
(987,000 exercisable)		81.03			
Exercised	(6,000)	49.84		$ 50,000	
Forfeited	—	—			
Expired	(80,000)	75.44			
Outstanding at December 31, 2009	901,000	$81.73		$ 2,144,000	2.9
(901,000 exercisable)		$81.73		$ 2,144,000	2.9

(1) Upon exercise, each tandem option is converted into one TDS Common Share and one TDS Special Common Share.

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NOTE 18 STOCK-BASED COMPENSATION (Continued)

Special Common Share Options	Number of Options	Weighted Average Exercise Prices	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding at December 31, 2006	1,402,000	$40.15			
(1,400,000 exercisable)		40.15			
Granted	873,000	59.45	$13.20		
Exercised	(824,000)	38.59		$16,543,000	
Forfeited	(4,000)	59.45			
Outstanding at December 31, 2007	1,447,000	$52.63			
(1,446,000 exercisable)		52.63			
Granted	1,189,000	35.35	$ 8.85		
Exercised	(4,000)	38.11		$ 48,965	
Forfeited	(3,000)	35.35			
Expired	(15,000)	59.45			
Outstanding at December 31, 2008	2,614,000	$44.77			
(1,428,000 exercisable)		52.59			
Granted	1,399,000	26.95	$ 9.60		
Exercised	—	—		$ —	
Forfeited	(68,000)	31.19			
Expired	(85,000)	48.81			
Outstanding at December 31, 2009	3,860,000	$38.46		$ 4,439,000	8.4
(1,732,000 exercisable)		$48.91		$ —	7.5

The aggregate intrinsic value in the tables above represents the total pre-tax intrinsic value (the difference between TDS' closing stock prices and the exercise price, multiplied by the number of in-the-money options) that was received by the option holders upon exercise or that would have been received by option holders had all options been exercised on December 31, 2009.

Long-Term Incentive Plan—Restricted Stock Units—TDS also grants restricted stock unit awards to key employees. Each restricted stock unit outstanding is convertible into one Special Common Share upon the vesting of such restricted stock units. The restricted stock unit awards currently outstanding were granted in 2008 and 2009 and will vest in December 2010 and 2011, respectively.

TDS estimates the fair value of restricted stock units based on the closing market price of TDS shares on the date of grant. The fair value is then recognized as compensation cost on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period.

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Notes to Consolidated Financial Statements

NOTE 18 STOCK-BASED COMPENSATION (Continued)

A summary of TDS nonvested restricted stock units and changes during the year ended December 31, 2009 is presented in the table below.

Special Common Restricted Stock Units	Number	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2008	237,000	$ 44.63
Granted	192,000	26.95
Vested	(87,000)	59.45
Forfeited	(17,000)	36.35
Nonvested at December 31, 2009	325,000	$ 30.58

The total fair values as of the respective vesting dates of restricted stock units vested during 2009, 2008 and 2007 were $2.6 million, $2.5 million and $10.9 million, respectively. The weighted average grant date fair value of restricted stock units granted in 2009, 2008 and 2007 was $26.95, $35.35 and $59.45, respectively.

Long-Term Incentive Plan—Deferred Compensation Stock Units —Certain TDS employees may elect to defer receipt of all or a portion of their annual bonuses and to receive stock unit matches on the amount deferred up to $400,000. Deferred compensation, which is immediately vested, is deemed to be invested in TDS Common Share units or TDS Special Common Share units. TDS match amounts depend on the amount of annual bonus that is deferred into stock units. Participants receive a 25% stock unit match for amounts deferred up to 50% of their total annual bonus and a 33% match for amounts that exceed 50% of their total annual bonus. The matched stock units vest ratably at a rate of one-third per year over three years. When fully vested and upon distribution, employees will receive the vested TDS Common Shares and/or TDS Special Common Shares, as applicable.

TDS estimates the fair value of deferred compensation matching stock units based on the closing market price of TDS shares on the date of grant. The fair value of the matched stock units is then recognized as compensation cost using an accelerated attribution method over the requisite service periods of the awards, which is generally the vesting period.

A summary of TDS' nonvested deferred compensation stock units and changes during the year ended December 31, 2009 is presented in the table below.

Special Common Deferred Compensation Stock Units	Number	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2008	2,600	$ 41.67
Granted	4,500	23.35
Vested	(3,000)	33.74
Nonvested at December 31, 2009	4,100	$ 27.20

The total fair values as of the respective vesting dates of deferred compensation stock units vested during 2009, 2008 and 2007 were $0.1 million, $0.1 million and $0.1 million, respectively. The weighted average grant date fair value of deferred compensation stock units granted in 2009, 2008 and 2007 was $23.35, $38.60 and $52.58, respectively.

Employee Stock Purchase Plan—The TDS 2009 Employee Stock Purchase Plan became effective January 1, 2009 and will terminate December 31, 2013. Under this plan, eligible employees of TDS and

NOTE 18 STOCK-BASED COMPENSATION (Continued)

its subsidiaries may purchase a limited number of TDS Special Common Shares on a quarterly basis. During 2008 and 2007, the 2003 Employee Stock Purchase Plan was effective but terminated December 31, 2008.

Under these plans, the per share cost to each participant is 85% of the market value of the Common Shares or Special Common Shares as of the issuance date. The employee stock purchase plans are considered compensatory plans; therefore recognition of compensation costs for stock issued under these plans is required. Compensation cost is measured as the difference between the cost of the shares to the plan participants and the fair market value of the shares on the date of issuance.

Compensation of Non-Employee Directors—TDS issued 15,000, 8,400 and 3,500 Special Common Shares under its Non-Employee Directors' plan in 2009, 2008 and 2007, respectively.

Dividend Reinvestment Plans—TDS had reserved 442,000 Common Shares and 289,000 Special Common Shares at December 31, 2009, for issuance under Automatic Dividend Reinvestment and Stock Purchase Plans and 138,000 Series A Common Shares for issuance under the Series A Common Share Automatic Dividend Reinvestment Plan. These plans enable holders of TDS' Common Shares, Special Common Shares and Preferred Shares to reinvest cash dividends in Common Shares and Special Common Shares and holders of Series A Common Shares to reinvest cash dividends in Series A Common Shares. The purchase price of the shares is 95% of the market value, based on the average of the daily high and low sales prices for TDS' Common Shares and Special Common Shares on the New York Stock Exchange for the ten trading days preceding the date on which the purchase is made. These plans are considered non-compensatory plans, therefore no compensation expense is recognized for stock issued under these plans.

U.S. Cellular

The information in this section relates to stock-based compensation plans using the equity instruments of U.S. Cellular. Participants in these plans are employees of U.S. Cellular. Information related to plans using the equity instruments of TDS are shown in the previous section.

U.S. Cellular has established the following stock-based compensation plans: a long-term incentive plan, an employee stock purchase plan, and a non-employee director compensation plan. Also, U.S. Cellular employees are eligible to participate in the TDS employee stock purchase plan.

Under the U.S. Cellular 2005 Long-Term Incentive Plan, U.S. Cellular may grant fixed and performance-based incentive and non-qualified stock options, restricted stock, restricted stock units, and deferred compensation stock unit awards to key employees. At December 31, 2009, the only types of awards outstanding are fixed non-qualified stock option awards, restricted stock unit awards, and deferred compensation stock unit awards.

At December 31, 2009, U.S. Cellular had reserved 6,266,000 Common Shares for equity awards granted and to be granted under the long-term incentive plan, and also had reserved 83,000 Common Shares for issuance to employees under an employee stock purchase plan. The maximum number of U.S. Cellular Common Shares that may be issued to employees under all stock-based compensation plans in effect at December 31, 2009, was 6,349,000.

U.S. Cellular also has established a Non-Employee Director Compensation Plan under which it has reserved 48,000 Common Shares for issuance as compensation to members of the Board of Directors who are not employees of U.S. Cellular or TDS.

U.S. Cellular uses treasury stock to satisfy requirements for Common Shares issued pursuant to its various stock-based compensation plans.

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Notes to Consolidated Financial Statements

NOTE 18 STOCK-BASED COMPENSATION (Continued)

Long-Term Incentive Plan—Stock Options—Stock options granted to key employees are exercisable over a specified period not in excess of ten years. Stock options generally vest over periods of between three and five years from the date of grant. Stock options outstanding at December 31, 2009 expire between 2010 and 2019. However, vested stock options typically expire 30 days after the effective date of an employee's termination of employment for reasons other than retirement. Employees who leave at the age of retirement have 90 days (or one year if they satisfy certain requirements) within which to exercise their vested stock options. The exercise price of the option generally equals the market value of U.S. Cellular Common Shares on the date of grant.

U.S. Cellular estimated the fair value of stock options granted during 2009, 2008, and 2007 using the Black-Scholes valuation model and the assumptions shown in the table below.

	2009	2008	2007
Expected life	3.9 Years	3.7 Years	3.1 Years
Expected volatility	40.3%-44.2%	28.1%-40.3%	22.5%-25.7%
Dividend yield	0%	0%	0%
Risk-free interest rate	1.2%-2.2%	1.2%-3.5%	3.3%-4.8%
Estimated annual forfeiture rate	6.89%	11.29%	9.60%

A summary of U.S. Cellular stock options outstanding (total and portion exercisable) and changes during the three years ended December 31, 2009, is presented in the table below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding at December 31, 2006	2,571,000	$44.07			
(1,430,000 exercisable)		42.15			
Granted	477,000	74.29	$16.74		
Exercised	(1,523,000)	45.53		$55,912,000	
Forfeited	(122,000)	57.05			
Expired	(4,000)	34.44			
Outstanding at December 31, 2007	1,399,000	$51.65			
(544,000 exercisable)		38.21			
Granted	685,000	56.99	$14.08		
Exercised	(415,000)	37.90		$ 7,487,000	
Forfeited	(38,000)	61.40			
Expired	(5,000)	63.56			
Outstanding at December 31, 2008	1,626,000	$57.15			
(624,000 exercisable)		51.56			
Granted	748,000	34.21	$11.75		
Exercised	(181,000)	34.01		$ 821,000	
Forfeited	(130,000)	47.98			
Expired	(34,000)	56.84			
Outstanding at December 31, 2009	2,029,000	$51.37		$ 5,438,000	7.0
(1,046,000 exercisable)		$54.40		$ 1,436,000	5.6

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between U.S. Cellular's closing stock price and the exercise price multiplied by the number of

NOTE 18 STOCK-BASED COMPENSATION (Continued)

in-the-money options) that was received by the option holders upon exercise or that would have been received by option holders had all options been exercised on December 31, 2009.

Long-Term Incentive Plan—Restricted Stock Units—U.S. Cellular grants restricted stock unit awards, which generally vest after three years, to key employees.

U.S. Cellular estimates the fair value of restricted stock units based on the closing market price of U.S. Cellular shares on the date of grant. The fair value is then recognized as compensation cost on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Awards granted under this plan prior to 2005 were classified as liability awards due to a plan provision which allowed participants to elect tax withholding in excess of minimum statutory tax rates. In 2005, this provision was removed from the plan and, thus, awards after 2005 have been classified as equity awards (except for awards that may be settled in stock or cash at the option of the recipient, which are classified as liability awards). All restricted stock units that were classified as liability awards vested prior to 2008.

A summary of U.S. Cellular nonvested restricted stock units at December 31, 2009 and changes during the year then ended is presented in the table below:

Equity Classified Awards	Number	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2008	457,000	$ 61.51
Granted	291,000	33.00
Vested	(114,000)	58.88
Forfeited	(53,000)	51.29
Nonvested at December 31, 2009	581,000	$ 48.68

The total fair value of liability classified restricted stock units that vested during 2007 was $4.3 million. The total fair value of equity classified restricted stock units that vested during 2009, 2008 and 2007 was $4.2 million, $8.3 million and $0.5 million, respectively, as of the respective vesting dates. The weighted average grant date fair value of restricted stock units granted in 2009, 2008 and 2007 was $33.00, $56.12 and $74.09, respectively.

Long-Term Incentive Plan—Deferred Compensation Stock Units —Certain U.S. Cellular employees may elect to defer receipt of all or a portion of their annual bonuses and to receive a company matching contribution on the amount deferred. All bonus compensation that is deferred by employees electing to participate is immediately vested and is deemed to be invested in U.S. Cellular Common Share stock units. Upon distribution of such stock units, participants will receive U.S. Cellular Common Shares. The amount of U.S. Cellular's matching contribution depends on the portion of the annual bonus that is deferred. Participants receive a 25% match for amounts deferred up to 50% of their total annual bonus and a 33% match for amounts that exceed 50% of their total annual bonus; such matching contributions also are deemed to be invested in U.S. Cellular Common Share stock units. The matching contribution stock units vest ratably at a rate of one-third per year over three years. Upon vesting and distribution of such matching contribution stock units, participants will receive U.S. Cellular Common Shares.

U.S. Cellular estimates the fair value of deferred compensation matching contribution stock units based on the closing market price of U.S. Cellular Common Shares on the date of match. The fair value of such matching contribution stock units is then recognized as compensation cost using an accelerated attribution method over the requisite service periods of the awards, which is generally the vesting period.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 18 STOCK-BASED COMPENSATION (Continued)

A summary of U.S. Cellular nonvested deferred compensation stock units at December 31, 2009 and changes during the year then ended is presented in the table below:

	Number	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2008	3,600	$ 59.65
Granted	3,700	33.58
Vested	(3,400)	51.83
Nonvested at December 31, 2009	3,900	$ 41.73

The total fair value of deferred compensation stock units that vested during 2009, 2008 and 2007 was $0.1 million, $0.1 million and $0.2 million, respectively. The weighted average grant date fair value of deferred compensation stock units granted in 2009, 2008 and 2007 was $33.58, $56.23 and $70.55, respectively.

Employee Stock Purchase Plan—The U.S. Cellular 2009 Employee Stock Purchase Plan became effective January 1, 2009 and will terminate December 31, 2013. Under this plan, eligible employees of U.S. Cellular and its subsidiaries may purchase a limited number of U.S. Cellular Common Shares on a quarterly basis. During 2008 and 2007, the 2003 Employee Stock Purchase Plan was effective but terminated December 31, 2008. U.S. Cellular employees are also eligible to participate in the TDS Employee Stock Purchase Plan.

Under these plans, the per share cost to participants is 85% of the market value of the U.S. Cellular Common Shares, TDS Common Shares or TDS Special Common Shares as of the issuance date. The employee stock purchase plans are considered compensatory plans; therefore, recognition of compensation cost for stock issued under these plans is required. Compensation cost is measured as the difference between the cost of the shares to plan participants and the market value of the shares on the date of issuance.

Compensation of Non-Employee Directors—U.S. Cellular issued 5,200 and 700 Common Shares in 2009 and 2007, respectively, under its Non-Employee Director Compensation Plan. No Common Shares were issued under this plan in 2008.

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NOTE 19 BUSINESS SEGMENT INFORMATION

U.S. Cellular and TDS Telecom are billed for all services they receive from TDS, consisting primarily of information processing and general management services. Such billings are based on expenses specifically identified to U.S. Cellular and TDS Telecom and on allocations of common expenses.

Management believes the method used to allocate common expenses is reasonable and that all expenses and costs applicable to U.S. Cellular and TDS Telecom are reflected in the accompanying business segment information on a basis that is representative of what they would have been if U.S. Cellular and TDS Telecom operated on a stand-alone basis.

Financial data for TDS' business segments for 2009, 2008 and 2007 is as follows.

Year Ended or at December 31, 2009	U.S. Cellular	TDS Telecom ILEC	TDS Telecom CLEC	Non-Reportable Segment(1)	Other Reconciling Items(2)	Total
			(Dollars in thousands)			
Operating revenues	$ 4,214,611	$ 599,527	$ 199,375	$ 46,714	$ (39,553)	$ 5,020,674
Cost of services and products	1,539,610	194,030	104,057	36,573	(9,844)	1,864,426
Selling, general and administrative expense	1,748,760	171,250	67,283	7,126	(27,712)	1,966,707
Operating income before certain non-cash items(3)	926,241	234,247	28,035	3,015	(1,997)	1,189,541
Depreciation, amortization and accretion expense	570,658	142,913	24,403	2,542	9,454	749,970
Loss on impairment of intangible assets	14,000	—	—	—	—	14,000
Loss on asset disposals, net	15,176	1,949	452	100	88	17,765
Operating income (loss)	326,407	89,385	3,180	373	(11,539)	407,806
Significant non-operating items:						
Equity in earnings of unconsolidated entities	96,800	17	—	—	(6,085)	90,732
Investments in unconsolidated entities	161,481	3,660	—	—	38,658	203,799
Total assets	5,745,217	1,463,275	125,508	24,372	250,412	7,608,784
Capital expenditures	$ 546,758	$ 98,297	$ 22,240	$ 346	$ 3,524	$ 671,165

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 19 BUSINESS SEGMENT INFORMATION (Continued)

Year Ended or at December 31, 2008	U.S. Cellular	TDS Telecom ILEC	TDS Telecom CLEC	Non-Reportable Segment(1)	Other Reconciling Items(2)	Total
	(Dollars in thousands)					
Operating revenues	$ 4,243,185	$ 611,034	$ 220,002	$ 53,170	$ (35,372)	$ 5,092,019
Cost of services and products	1,527,463	184,285	109,457	40,381	(7,900)	1,853,686
Selling, general and administrative expense	1,701,050	166,787	69,040	9,251	(24,698)	1,921,430
Operating income before certain non-cash items(3)	1,014,672	259,962	41,505	3,538	(2,774)	1,316,903
Depreciation, amortization and accretion expense	576,931	134,935	23,431	2,909	11,871	750,077
Loss on impairment of intangible assets	386,653	—	—	—	27,723	414,376
Loss on asset disposals, net	23,378	466	391	—	61	24,296
Operating income (loss)	27,710	124,561	17,683	629	(42,429)	128,154
Significant non-operating items:						
Equity in earnings of unconsolidated entities	91,981	22	—	—	(2,191)	89,812
Gain (loss) on investments and financial instruments	16,628	17,758	—	—	(2,791)	31,595
Investments in unconsolidated entities	156,637	6,517	—	—	42,614	205,768
Total assets	5,566,042	1,397,414	127,673	26,733	534,554	7,652,416
Capital expenditures	$ 585,590	$ 120,927	$ 19,832	$ 1,362	$ 7,212	$ 734,923

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Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 19 BUSINESS SEGMENT INFORMATION (Continued)

Year Ended or at December 31, 2007	U.S. Cellular	TDS Telecom ILEC	TDS Telecom CLEC	Non-Reportable Segment(1)	Other Reconciling Items(2)	Total
			(Dollars in thousands)			
Operating revenues	$ 3,946,264	$ 629,983	$ 236,529	$ 48,016	$ (31,808)	$ 4,828,984
Cost of services and products	1,354,372	193,761	116,612	36,225	(7,439)	1,693,531
Selling, general and administrative expense	1,558,568	175,392	82,083	8,145	(23,708)	1,800,480
Operating income before certain non-cash items(3)	1,033,324	260,830	37,834	3,646	(661)	1,334,973
Depreciation, amortization and accretion expense	578,186	133,440	24,022	2,665	9,823	748,136
Loss on impairment of intangible assets	24,923	—	—	—	—	24,923
Loss on asset disposals, net	34,016	—	—	—	—	34,016
Operating income (loss)	396,199	127,390	13,812	981	(10,484)	527,898
Significant non-operating items:						
Equity in earnings of unconsolidated entities	90,033	70	—	—	1,728	91,831
Gain (loss) on investments and financial instruments	132,599	—	—	—	(51,176)	81,423
Marketable equity securities	16,352	—	—	—	1,901,542	1,917,894
Investments in unconsolidated entities	157,693	3,677	—	—	45,048	206,418
Total assets	5,611,874	1,679,838	145,864	27,792	2,428,775	9,894,143
Capital expenditures	$ 565,495	$ 111,806	$ 16,374	$ 1,461	$ 4,430	$ 699,566

(1) Represents Suttle-Straus.

(2) Consists of the corporate operations, intercompany eliminations and other corporate investments.

(3) The amount of Operating income before certain non-cash items is a segment measure reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. The non-cash items excluded from this subtotal are Depreciation, amortization and accretion, Loss on asset disposals, net (if any) and Loss on impairment of intangible assets (if any). This amount may also be commonly referred to by management as operating cash flow.

NOTE 20 SUPPLEMENTAL CASH FLOW DISCLOSURES

Following are supplemental cash flow disclosures regarding interest paid and income taxes paid.

Year Ended December 31,	2009	2008	2007
		(Dollars in thousands)	
Interest paid	$ 130,084	$ 136,156	$ 196,696
Income taxes paid	53,009	470,033	500,899

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 20 SUPPLEMENTAL CASH FLOW DISCLOSURES (Continued)

Following are supplemental cash flow disclosures regarding transactions related to stock-based compensation awards:

TDS:

Year Ended December 31,	2009	2008	2007
		(Dollars in thousands)	
Common Shares withheld(1)	—	11,028	38,805
Special Common Shares withheld(1)	26,999	44,873	59,432
Aggregate value of Common Shares withheld	$ —	$ 559	$ 2,531
Aggregate value of Special Common Shares withheld	811	1,575	3,563
Cash receipts upon exercise of stock options	$ 1,630	$ 2,628	$ 119,087
Cash disbursements for payment of taxes(2)	(811)	(1,219)	(5,482)
Net cash receipts from exercise of stock options and vesting of other stock awards	$ 819	$ 1,409	$ 113,605

U.S. Cellular:

Year Ended December 31,	2009	2008	2007
		(Dollars in thousands)	
Common Shares withheld(1)	200,025	368,231	716,446
Aggregate value of Common Shares withheld	$ 7,622	$ 20,055	$ 59,969
Cash receipts upon exercise of stock options	$ 1,572	$ 3,588	$ 23,582
Cash disbursements for payment of taxes(2)	(1,654)	(5,876)	(13,509)
Net cash receipts (disbursements) from exercise of stock options and vesting of other stock awards	$ (82)	$ (2,288)	$ 10,073

(1) Such shares were withheld to cover the exercise price of stock options, if applicable, and required tax withholdings.

(2) In certain situations, TDS and U.S. Cellular withhold shares that are issuable upon the exercise of stock options or the vesting of restricted shares to cover, and with a value equivalent to, the exercise price and/or the amount of taxes required to be withheld from the stock award holder at the time of the exercise or vesting. TDS and U.S. Cellular then pay the amount of the required tax withholdings to the taxing authorities in cash.

NOTE 21 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following persons are partners of Sidley Austin LLP, the principal law firm of TDS and its subsidiaries: Walter C.D. Carlson, a trustee and beneficiary of a voting trust that controls TDS, the non-executive Chairman of the Board and member of the Board of Directors of TDS and a director of U.S. Cellular, a subsidiary of TDS; William S. DeCarlo, the General Counsel of TDS and an Assistant Secretary of TDS and certain subsidiaries of TDS; and Stephen P. Fitzell, the General Counsel of U.S. Cellular and TDS Telecommunications Corporation and an Assistant

Secretary of certain subsidiaries of TDS. Walter C.D. Carlson does not provide legal services to TDS or its subsidiaries. TDS, U.S. Cellular and their subsidiaries incurred legal costs from Sidley Austin LLP of $13.8 million in 2009, $12.0 million in 2008 and $11.2 million in 2007.

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 21 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS (Continued)

On May 29, 2009, TDS repurchased 1,730,200 Special Common Shares at the then current market price on the New York Stock Exchange ("NYSE") for a total price of $48.2 million, or an average of $27.89 per Special Common Share including broker fees, from an affiliate of Southeastern Asset Management, Inc. ("SEAM"). In addition, on July 20, 2009, TDS repurchased 405,000 Special Common Shares from SEAM at a price below the then current market price on the NYSE for a total price of $10.5 million, or an average of $25.87 per Special Common Share including broker fees.

At the time, SEAM was a shareholder of more than 5% of TDS Special Common Shares and Common Shares, and currently continues to hold more than 5% of the Special Common Shares. See "Security Ownership by Certain Beneficial Owners" in TDS' Notice of Annual Meeting and Proxy Statement filed with the SEC on April 28, 2009 for further information about SEAM and its interest in TDS. These transactions were not solicited by TDS and TDS did not enter into any agreements with SEAM. The May 29, 2009 transaction was effected by TDS' broker pursuant to TDS' existing institutional brokerage account agreement on the NYSE in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended ("Exchange Act"). The July 20, 2009 transaction was made by TDS' broker pursuant to an agreement entered into pursuant to Rule 10b5-1 under the Exchange Act and was effected on the NYSE in compliance with Rule 10b-18. The repurchases were made under TDS' existing share repurchase authorization.

The Audit Committee of the Board of Directors is responsible for the review and evaluation of all related party transactions, as such term is defined by the rules of the New York Stock Exchange.

Telephone and Data Systems, Inc.

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

Management of Telephone and Data Systems, Inc. has the responsibility for preparing the accompanying consolidated financial statements and for their integrity and objectivity. The statements were prepared in accordance with accounting principles generally accepted in the United States of America and, in management's opinion, were fairly presented. The financial statements included amounts that were based on management's best estimates and judgments. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the financial statements.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited these consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and has expressed herein its unqualified opinion on these financial statements.

/s/ LeRoy T. Carlson, Jr.	/s/ Kenneth R. Meyers	/s/ Douglas D. Shuma
LeRoy T. Carlson, Jr. President and Chief Executive Officer (Principal Executive Officer)	Kenneth R. Meyers Executive Vice President and Chief Financial Officer (Principal Financial Officer)	Douglas D. Shuma Senior Vice President and Controller (Principal Accounting Officer)

Telephone and Data Systems, Inc.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. TDS' internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). TDS' internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and, where required, the Board of Directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the issuer's assets that could have a material effect on the interim or annual consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of TDS' management, including its Chief Executive Officer and Chief Financial Officer, TDS conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has concluded that TDS maintained effective internal control over financial reporting as of December 31, 2009 based on criteria established in *Internal Control—Integrated Framework* issued by the COSO.

The effectiveness of TDS' internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in the firm's report included herein.

/s/ LeRoy T. Carlson, Jr.	/s/ Kenneth R. Meyers	/s/ Douglas D. Shuma
LeRoy T. Carlson, Jr. President and Chief Executive Officer (Principal Executive Officer)	Kenneth R. Meyers Executive Vice President and Chief Financial Officer (Principal Financial Officer)	Douglas D. Shuma Senior Vice President and Controller (Principal Accounting Officer)

Telephone and Data Systems, Inc. and Subsidiaries

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Telephone and Data Systems, Inc.:

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows present fairly, in all material respects, the financial position of Telephone and Data Systems, Inc. and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, based on our audit and the report of other auditors, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We did not audit the financial statements of Los Angeles SMSA Limited Partnership, a 5.5% owned entity accounted for by the equity method of accounting. The consolidated financial statements of Telephone and Data Systems, Inc. reflect an investment in this partnership of $116,000,000 and $117,300,000 as of December 31, 2009 and 2008, respectively, and equity earnings of $64,700,000, $66,100,000, and $71,200,000, respectively for each of the three years in the period ended December 31, 2009. The financial statements of Los Angeles SMSA Limited Partnership were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements expressed herein, insofar as it relates to the amounts included for Los Angeles SMSA Limited Partnership, is based solely on the report of the other auditors. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Notes 1, 2, 3 and 4 to the consolidated financial statements, the Company changed the manner in which it accounts for noncontrolling interests and business combinations in 2009, financial assets and liabilities in 2008, and the manner in which it accounts for uncertain tax positions in 2007.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Chicago, Illinois
February 25, 2010

Telephone and Data Systems, Inc. and Subsidiaries

SELECTED CONSOLIDATED FINANCIAL DATA

Year Ended or at December 31,	2009	2008	2007	2006	2005
	(Dollars in thousands, except per share amounts)				
Operating data					
Operating revenues	$ 5,020,674	$ 5,092,019	$ 4,828,984	$ 4,364,518	$ 3,952,978
Operating income(a)	407,806	128,154	527,898	412,777	380,698
Gain (loss) on investments and financial instruments	—	31,595	81,423	(137,679)	727,474
Net income from continuing operations	253,726	122,913	416,396	206,878	683,949
Discontinued operations, net of tax	—	—	—	—	997
Extraordinary item, net of tax	—	—	42,827	—	—
Net income	253,726	122,913	459,223	206,878	684,946
Net income attributable to noncontrolling interests, net of tax	59,824	29,372	73,111	45,119	37,207
Net income attributable to TDS shareholders	193,902	93,541	386,112	161,759	647,739
Net income available to common	$ 193,851	$ 93,489	$ 386,060	$ 161,594	$ 647,538
Basic weighted average shares outstanding (000s)	109,339	115,817	117,624	115,904	115,296
Basic earnings per share attributable to TDS shareholders from:					
Net income before extraordinary item attributable to TDS shareholders(b)	$ 1.77	$ 0.81	$ 2.92	$ 1.39	$ 5.61
Discontinued operations(b)	—	—	—	—	0.01
Extraordinary item(b)	—	—	0.36	—	—
Net income available to common(b)	$ 1.77	$ 0.81	$ 3.28	$ 1.39	$ 5.62
Diluted weighted average shares outstanding (000s)	109,577	116,255	119,126	116,844	116,081
Diluted earnings per share attributable to TDS shareholders from:					
Net income before extraordinary item attributable to TDS shareholders(b)	$ 1.77	$ 0.80	$ 2.86	$ 1.37	$ 5.56
Discontinued operations(b)	—	—	—	—	0.01
Extraordinary item(b)	—	—	0.36	—	—
Net income available to common(b)	$ 1.77	$ 0.80	$ 3.22	$ 1.37	$ 5.57
Dividends per Common, Special Common and Series A Common Share(b)	$ 0.43	$ 0.41	$ 0.39	$ 0.37	$ 0.35
Balance sheet data					
Cash and cash equivalents	$ 670,992	$ 777,309	$ 1,174,446	$ 1,013,325	$ 1,095,791
Marketable equity securities	—	—	1,917,893	2,790,630	2,531,690
Property, plant and equipment, net	3,507,845	3,568,924	3,525,102	3,581,386	3,529,760
Total assets	7,608,784	7,652,416	9,894,143	10,599,514	10,204,782
Notes payable	—	—	—	35,000	135,000
Long-term debt, excluding current portion	1,492,908	1,621,422	1,632,226	1,633,308	1,633,519
Prepaid forward contracts, excluding current portion	—	—	—	987,301	1,707,282
Total TDS stockholders' equity	3,777,305	3,767,487	3,926,338	3,570,420	3,217,195
Capital expenditures	$ 671,165	$ 734,923	$ 699,566	$ 722,458	$ 710,507
Current ratio(c)	2.1	2.1	1.4	1.4	1.7
Return on average equity(d)	5.1%	2.4%	9.2%	4.8%	20.6%

(a) Includes Loss on impairment of intangible assets of $14.0 million in 2009, $414.4 million in 2008 and $24.9 million in 2007.

(b) TDS distributed one Special Common Share in the form of a stock dividend with respect to each outstanding Common Share and Series A Common Share of TDS on May 13, 2005 to shareholders of record on April 29, 2005. Earnings per share for the entire year 2005 was retroactively adjusted to give effect to this new capital structure.

(c) Calculated by dividing current assets by current liabilities. These amounts are taken directly from the Consolidated Balance Sheet.

(d) Calculated by dividing Net income attributable to TDS shareholders excluding the impact of Extraordinary item, net of taxes, by the average of beginning and ending Total TDS stockholders' equity. Those amounts are taken from the Consolidated Statement of Operations and Balance Sheet. The result is shown as a percentage.

Telephone and Data Systems, Inc. and Subsidiaries

FIVE-YEAR STATISTICAL SUMMARY

At or Year Ended December 31,	2009	2008	2007	2006	2005
	(Dollars in thousands, except per unit amounts)				
Wireless Operations					
Total customers	6,141,000	6,196,000	6,102,000	5,815,000	5,482,000
Postpay customers	5,482,000	5,420,000	5,269,000	4,912,000	4,633,000
Total population(a)					
Consolidated markets	89,712,000	83,014,000	82,371,000	55,543,000	45,244,000
Consolidated operating markets	46,306,000	46,009,000	44,955,000	44,043,000	43,362,000
Market penetration(b)					
Consolidated markets	6.8%	7.5%	7.4%	10.5%	12.1%
Consolidated operating markets	13.3%	13.5%	13.6%	13.2%	12.6%
Net customer additions (losses)	(55,000)	91,000	301,000	281,000	477,000
Postpay churn rate(c)	1.6%	1.5%	1.4%	1.6%	1.6%
Average monthly service revenue per customer(d)	$ 53.00	$ 53.23	$ 51.17	$ 47.23	$ 45.24
Wireline Operations					
ILEC					
Equivalent access lines served(e)	775,900	776,700	762,700	757,300	735,300
Telephone companies	115	114	111	111	111
Capital expenditures	$ 87,348	$ 120,927	$ 111,806	$ 113,179	$ 97,493
CLEC					
Equivalent access lines served(e)	355,900	393,000	435,000	456,200	448,600
Capital expenditures	$ 19,033	$ 19,832	$ 16,374	$ 17,255	$ 27,117
Financial Position					
Common, Special Common and Series A Common Shares outstanding (000s)	106,022	112,198	117,823	116,592	115,555
Price/earnings ratio(f)	36.23	74.81	42.03	75.86	12.71
Common equity per share	29.74	29.67	30.93	28.13	25.38
Year-end stock price					
Common Shares	$ 33.92	$ 31.75	$ 62.60	$ 54.33	$ 36.03
Special Common Shares	30.20	28.10	57.60	49.60	34.61
Combined	$ 64.12	$ 59.85	$ 120.20	$ 103.93	$ 70.64

(a) Calculated using Claritas population estimates for the preceding year. "Consolidated markets" represents 100% of the population of the markets that U.S. Cellular consolidates. "Consolidated operating markets" are markets that U.S. Cellular consolidates and in which wireless services are provided to customers as of December 31 of each year. This population measurement is used only for purposes of calculating market penetration (without duplication of population in overlapping markets).

(b) Calculated by dividing "Customers" by "Total population of consolidated markets" or "Total population of consolidated operating markets."

(c) Represents the percentage of the postpay customer base that disconnects service each month.

(d) The numerator of this calculation consists of service revenues for the respective 12-month period divided by 12. The denominator consists of the average number of U.S. Cellular wireless customers.

(e) Equivalent access lines are the sum of physical access lines and high-capacity data lines adjusted to estimate the equivalent number of physical access lines in terms of capacity. A physical access line is the individual circuit connecting a customer to a

telephone company's central office facilities.

(f) Based on the year-end stock price divided by diluted earnings per share from continuing operations attributable to TDS shareholders.

Telephone and Data Systems, Inc. and Subsidiaries

CONSOLIDATED QUARTERLY INFORMATION (UNAUDITED)

	Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
	(Amounts in thousands, except per share amounts)			
2009				
Operating revenues	$ 1,256,646	$ 1,242,477	$ 1,258,742	$ 1,262,809
Loss on impairment of intangible assets(1)	—	—	—	14,000
Operating income(1)(3)(4)	136,209	154,600	77,663	39,334
Net income	93,374	90,559	47,265	22,528
Net income attributable to TDS shareholders	$ 72,008	$ 69,731	$ 35,645	$ 16,518
Basic weighted average shares outstanding	112,238	110,741	108,289	106,166
Basic earnings per share attributable to TDS shareholders	$ 0.64	$ 0.63	$ 0.33	$ 0.16
Diluted weighted average shares outstanding	112,427	110,971	108,565	106,489
Diluted earnings per share attributable to TDS shareholders	$ 0.64	$ 0.63	$ 0.33	$ 0.15
Stock price				
TDS Common Shares(2)				
High	$ 35.98	$ 33.80	$ 31.69	$ 34.94
Low	24.20	22.01	24.63	29.39
Close	26.51	28.30	31.01	33.92
TDS Special Common Shares(2)				
High	31.17	30.49	30.45	30.95
Low	21.89	22.87	23.33	27.16
Close	23.65	25.96	29.68	30.20
Dividends paid	$ 0.1075	$ 0.1075	$ 0.1075	$ 0.1075

	Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
	(Amounts in thousands, except per share amounts)			
2008				
Operating revenues	$ 1,249,101	$ 1,274,351	$ 1,304,598	$ 1,263,969
Loss on impairment of intangible assets(1)	—	—	—	414,376
Operating income(1)	153,609	149,743	152,139	(327,337)
Gain (loss) on investments and financial instruments	(3,490)	3,088	31,997	—
Net income	90,505	106,266	122,994	(196,852)
Net income attributable to TDS shareholders	$ 73,487	$ 87,757	$ 101,223	$ (168,926)
Basic weighted average shares	117,570	116,267	115,700	113,711

outstanding								
Basic earnings per share attributable to TDS shareholders	$	0.62	$	0.75	$	0.87	$	(1.49)
Diluted weighted average shares outstanding		118,191		116,814		116,193		113,711
Diluted earnings per share attributable to TDS shareholders	$	0.62	$	0.75	$	0.87	$	(1.49)
Stock price								
TDS Common Shares(2)								
High	$	66.19	$	54.00	$	51.89	$	38.93
Low		37.84		37.02		27.96		21.24
Close		39.27		47.27		35.75		31.75
TDS Special Common Shares(2)								
High		58.30		51.72		43.85		37.95
Low		35.90		35.06		31.55		22.18
Close		37.30		44.10		35.90		28.10
Dividends paid	$	0.1025	$	0.1025	$	0.1025	$	0.1025

(1) During the fourth quarters of 2009 and 2008, TDS recognized a Loss on impairment of intangible assets related to licenses of $14.0 million and $414.4 million, respectively. See Note 9—Licenses and Goodwill in the Notes to Consolidated Financial Statements for details of these impairments.

(2) The high, low and closing sales prices as reported by either the American Stock Exchange ("AMEX") or the New York Stock Exchange ("NYSE"). TDS' Common Shares and Special Common Shares traded on the AMEX prior to and on September 14, 2008, and traded on the NYSE after this date.

(3) During the quarter ended December 31, 2009, Operating expenses were reduced by a $7.1 million out-of period adjustment to correct rent expense. Approximately $6.1 million of this adjustment reduced Cost of services and products and $1.0 million reduced Selling, general and administrative expense. Management does not believe that the adjustment is material to the

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Telephone and Data Systems, Inc. and Subsidiaries

CONSOLIDATED QUARTERLY INFORMATION (UNAUDITED)

current year or any prior year's earnings, earnings trends or financial statement line items. The adjustment was recorded in the quarter ended December 31, 2009 and no prior periods were adjusted. The impact of the out-of-period adjustment on the affected line items in the Consolidated Statement of Operations is as follows:

	Quarter Ended December 31, 2009 Increase (Decrease)	Year Ended December 31, 2009 Increase (Decrease)
	(Amounts in thousands)	
Cost of services and products	$ (6,090)	$ (5,813)
Selling, general and administrative	(1,009)	(696)
Total operating expenses	(7,099)	(6,509)
Operating income	7,099	6,509
Income before income taxes	7,099	6,509

(4) During the quarter ended December 31, 2009, TDS recorded adjustments that reduced Cost of services and products and increased Selling, general and administrative expense by $9.7 million and $11.6 million, respectively, to reflect revised estimates related to customer usage charges and bad debts expense. The net of these adjustments was an increase to Operating expenses of $1.9 million during the quarter ended December 31, 2009.

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Telephone and Data Systems, Inc. and Subsidiaries

SHAREHOLDER INFORMATION

TDS Stock and dividend information

TDS' Common Shares are listed on the New York Stock Exchange ("NYSE") under the symbol "TDS." TDS' Special Common Shares are listed on the NYSE under the symbol "TDS.S." As of January 29, 2010, the last trading day of the month, TDS Common Shares were held by 1,650 record owners, the Special Common Shares were held by 1,722 record owners, and the Series A Common Shares were held by 81 record owners.

TDS has paid cash dividends on its common stock since 1974, and paid dividends of $0.43 per Common, Special Common and Series A Common Share during 2009. During 2008, TDS paid dividends of $0.41 per Common, Special Common and Series A Common Share.

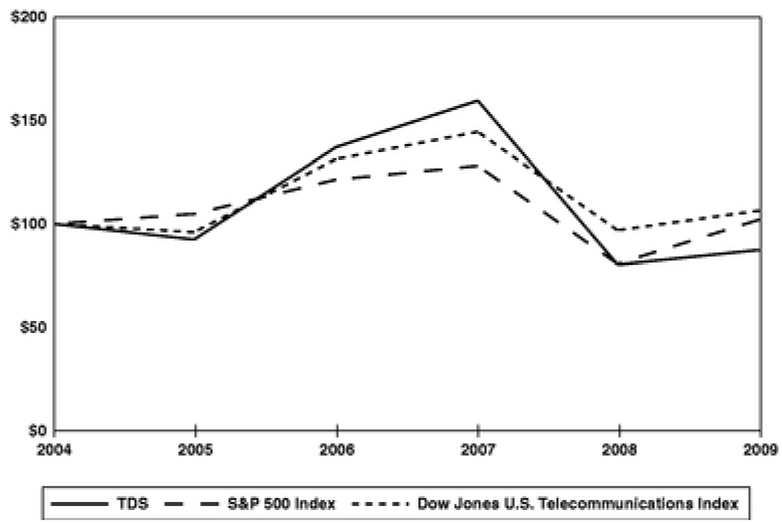
The Common Shares of United States Cellular Corporation, an 82%-owned subsidiary of TDS, are listed on the NYSE under the symbol "USM".

See "Consolidated Quarterly Information (Unaudited)" for information on the high and low trading prices of the TDS Common Shares and TDS Special Common Shares for 2009 and 2008.

Stock performance graph

The following chart provides a comparison of TDS' cumulative total return to shareholders (stock price appreciation plus dividends) during the previous five years to the returns of the Standard & Poor's 500 Composite Stock Price Index and the Dow Jones U.S. Telecommunications Index. As of December 31, 2009, the Dow Jones U.S. Telecommunications Index was composed of the following companies: AT&T Inc., CenturyTel Inc., Cincinnati Bell Inc., Frontier Communications Corp., Leap Wireless International Inc., Leucadia National Corp., Level 3 Communications Inc., MetroPCS Communications Inc., NII Holdings Inc., Qwest Communications International Inc., Sprint Nextel Corp., Telephone and Data Systems, Inc. (TDS and TDS.S), tw telecom, inc., United States Cellular Corporation, Verizon Communications Inc., Virgin Media Inc. and Windstream Corp.

Comparison of Cumulative Five Year Total Return*
TDS, S&P 500 and Dow Jones U.S. Telecommunications Index
(Performance Results Through 12/31/09)



* Cumulative total return assumes reinvestment of dividends.

	2004	2005	2006	2007	2008	2009
Telephone and Data Systems, Inc.	$ 100	$ 92.44	$ 137.14	$ 159.67	$ 80.35	$ 87.41
S&P 500 Index	100	104.91	121.48	128.16	80.74	102.11
Dow Jones U.S. Telecommunications Index	100	96.00	131.36	144.55	96.94	106.49

Telephone and Data Systems, Inc. and Subsidiaries

SHAREHOLDER INFORMATION

Assumes $100.00 invested at the close of trading on the last trading day preceding the first day of 2004, in TDS Common Shares, S&P 500 Index and the Dow Jones U.S. Telecommunications Index.

After the close of business on May 13, 2005, TDS distributed a stock dividend of one Special Common Share of TDS with respect to each outstanding TDS Common Share and Series A Common Share. For purposes of the stock performance chart, the performance of TDS for all periods presented prior to May 13, 2005 is represented by the TDS Common Shares, and for the period between May 13, 2005 and December 31, 2009 includes both the TDS Common Shares and TDS Special Common Shares. The last closing price of TDS Common Shares on May 13, 2005 prior to the impact of the stock dividend was $74.57. The closing price on May 16, 2005, the first trading day after the stock dividend, was $38.19 for the TDS Common Shares and $36.25 for the TDS Special Common Shares, or a total of $74.44. The closing price on December 31, 2009, the last trading day of 2009, was $33.92 for the TDS Common Shares and $30.20 for the TDS Special Common Shares, or a total of $64.12.

Dividend reinvestment plan

TDS' dividend reinvestment plans provide its common and preferred shareholders with a convenient and economical way to participate in the future growth of TDS. Common, Special Common and Preferred shareholders of record owning ten (10) or more shares may purchase Common Shares (in the case of Common and Preferred shareholders) and Special Common Shares (in the case of Special Common shareholders) with their reinvested dividends at a five percent discount from market price. Shares may also be purchased, at market price, on a monthly basis through optional cash payments of up to $5,000 in any calendar quarter. The initial ten (10) shares cannot be purchased directly from TDS. An authorization card and prospectus will be mailed automatically by the transfer agent to all registered record holders with ten (10) or more shares. Once enrolled in the plan, there are no brokerage commissions or service charges for purchases made under the plan.

Investor relations

TDS' annual report, SEC filings and news releases are available to investors, securities analysts and other members of the investment community. These reports are provided, without charge, upon request to our Corporate Office. Investors may also access these and other reports through the Investor Relations portion of the TDS website (www.teldta.com).

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Telephone and Data Systems, Inc. and Subsidiaries

SHAREHOLDER INFORMATION

Questions regarding lost, stolen or destroyed certificates, consolidation of accounts, transferring of shares and name or address changes should be directed to:

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Manager—Investor Relations
Telephone and Data Systems, Inc.
30 North LaSalle Street, Suite 4000
Chicago, IL 60602
312.592.5341
312.630.1908 (fax)
julie.mathews@teldta.com

General inquiries by investors, securities analysts and other members of the investment community should be directed to:

Jane W. McCahon,
Vice President—Corporate Relations
Telephone and Data Systems, Inc.
30 North LaSalle Street, Suite 4000
Chicago, IL 60602
312.592.5379
312.630.1908 (fax)
jane.mccahon@teldta.com

Directors and executive officers

See "Election of Directors" and "Executive Officers" sections of the Proxy Statement issued in 2010 for the 2010 Annual Meeting.

Principal counsel
Sidley Austin LLP, Chicago, Illinois

Transfer agent
ComputerShare Investor Services
2 North LaSalle Street, 3rd Floor
Chicago, IL 60602
877.337.1575

Independent registered public accounting firm
PricewaterhouseCoopers LLP

Visit TDS' web site at www.teldta.com

TELEPHONE AND DATA SYSTEMS, INC
SUBSIDIARY COMPANIES
December 31, 2009

SUBSIDIARY COMPANIES	STATE OF ORGANIZATION
U.S. CELLULAR	
UNITED STATES CELLULAR CORPORATION	DELAWARE
BANGOR CELLULAR TELEPHONE, L.P.	DELAWARE
CALIFORNIA RURAL SERVICE AREA #1, INC.	CALIFORNIA
CEDAR RAPIDS CELLULAR TELEPHONE, L.P.	DELAWARE
CELLVEST, INC.	DELAWARE
CENTRAL CELLULAR TELEPHONES, LTD.	ILLINOIS
CHAMPLAIN CELLULAR, INC	NEW YORK
CHARLOTTESVILLE CELLULAR PARTNERSHIP	WASHINGTON, D.C.
COMMUNITY CELLULAR TELEPHONE COMPANY	TEXAS
CROWN POINT CELLULAR, INC.	NEW YORK
DUBUQUE CELLULAR TELEPHONE, L.P.	DELAWARE
EASTERN NORTH CAROLINA CELLULAR JOINT VENTURE	DELAWARE
GRAY BUTTE JOINT VENTURE	Partnership
HARDY CELLULAR TELEPHONE COMPANY	DELAWARE
HUMPHREYS COUNTY CELLULAR, INC.	DELAWARE
INDIANA RSA # 5, INC.	INDIANA
INDIANA RSA NO. 4 LIMITED PARTNERSHIP	INDIANA
INDIANA RSA NO. 5 LIMITED PARTNERSHIP	INDIANA
IOWA RSA # 3, INC.	DELAWARE
IOWA RSA # 9, INC.	DELAWARE
IOWA RSA # 12, INC.	DELAWARE
JACKSONVILLE CELLULAR PARTNERSHIP	NORTH CAROLINA
JACKSONVILLE CELLULAR TELEPHONE COMPANY	NORTH CAROLINA
KANSAS #15 LIMITED PARTNERSHIP	DELAWARE
KENOSHA CELLULAR TELEPHONE, L.P.	DELAWARE
LEWISTON CELLTELCO PARTNERSHIP	WASHINGTON, D.C.
MADISON CELLULAR TELEPHONE COMPANY	WISCONSIN
MAINE RSA # 1, INC.	MAINE
MAINE RSA # 4, INC.	MAINE
MANCHESTER-NASHUA CELLULAR TELEPHONE, L.P.	DELAWARE
MCDANIEL CELLULAR TELEPHONE COMPANY	DELAWARE
MINNESOTA INVCO OF RSA # 7, INC.	DELAWARE
NEW YORK RSA 2 CELLULAR PARTNERSHIP	NEW YORK
NEWPORT CELLULAR, INC.	NEW YORK
NH #1 RURAL CELLULAR, INC.	NEW HAMPSHIRE
NORTH CAROLINA RSA # 4, INC.	DELAWARE
NORTH CAROLINA RSA 1 PARTNERSHIP	DELAWARE
OREGON RSA #2, INC.	OREGON
PCS WISCONSIN, LLC	WISCONSIN
RACINE CELLULAR TELEPHONE COMPANY	WISCONSIN
ST. LAWRENCE SEAWAY RSA CELLULAR PARTNERSHIP	NEW YORK
TENNESSEE NO. 3, LIMITED PARTNERSHIP	TENNESSEE
TEXAHOMA CELLULAR LIMITED PARTNERSHIP	TEXAS
TEXAS INVCO OF RSA # 6, INC.	DELAWARE
TOWNSHIP CELLULAR TELEPHONE, INC.	DELAWARE
UNITED STATES CELLULAR INVESTMENT CO. OF ALLENTOWN	PENNSYLVANIA

UNITED STATES CELLULAR INVESTMENT CO. OF OKLAHOMA CITY, INC.	OKLAHOMA
UNITED STATES CELLULAR INVESTMENT COMPANY, LLC	DELAWARE
UNITED STATES CELLULAR INVESTMENT CORPORATION OF LOS ANGELES	INDIANA
UNITED STATES CELLULAR OPERATING COMPANY LLC	DELAWARE
UNITED STATES CELLULAR OPERATING COMPANY OF BANGOR	MAINE
UNITED STATES CELLULAR OPERATING COMPANY OF CEDAR RAPIDS	DELAWARE
UNITED STATES CELLULAR OPERATING COMPANY OF CHICAGO, LLC	DELAWARE
UNITED STATES CELLULAR OPERATING COMPANY OF DUBUQUE	IOWA
UNITED STATES CELLULAR OPERATING COMPANY OF KNOXVILLE	TENNESSEE
UNITED STATES CELLULAR OPERATING COMPANY OF LEWISTON-AUBURN	MAINE
UNITED STATES CELLULAR OPERATING COMPANY OF MANCHESTER-NASHUA, INC.	NEW HAMPSHIRE
UNITED STATES CELLULAR OPERATING COMPANY OF MEDFORD	OREGON
UNITED STATES CELLULAR OPERATING COMPANY OF TULSA, INC.	OKLAHOMA
UNITED STATES CELLULAR OPERATING COMPANY OF WATERLOO	IOWA
UNITED STATES CELLULAR OPERATING COMPANY OF YAKIMA	WASHINGTON
UNITED STATES CELLULAR TELEPHONE COMPANY (GREATER KNOXVILLE), L.P.	TENNESSEE
UNITED STATES CELLULAR TELEPHONE OF GREATER TULSA, L.L.C.	OKLAHOMA
USCC AUCTION 78, LLC	DELAWARE
USCC DISTRIBUTION CO., LLC	DELAWARE
USCC FINANCIAL L.L.C.	ILLINOIS
USCC PAYROLL CORPORATION	DELAWARE
USCC PURCHASE, LLC	DELAWARE
USCC REAL ESTATE CORPORATION	DELAWARE
USCC WIRELESS INVESTMENT, INC.	DELAWARE
USCCI CORPORATION	DELAWARE
USCIC OF FRESNO	CALIFORNIA
USCIC OF NORTH CAROLINA RSA # 1, INC.	DELAWARE
USCIC OF PENNSYLVANIA 5, INC.	DELAWARE
USCOC NEBRASKA/KANSAS, INC	DELAWARE
USCOC NEBRASKA/KANSAS, LLC	DELAWARE
USCOC OF CENTRAL ILLINOIS, LLC	ILLINOIS
USCOC OF CHICAGO REAL ESTATE HOLDINGS, LLC	DELAWARE
USCOC OF CUMBERLAND, INC.	MARYLAND
USCOC OF GREATER IOWA, LLC	DELAWARE
USCOC OF GREATER MISSOURI, LLC	DELAWARE
USCOC OF GREATER NORTH CAROLINA, LLC	DELAWARE
USCOC OF GREATER OKLAHOMA, LLC	OKLAHOMA
USCOC OF JACK/WIL, INC.	DELAWARE
USCOC OF JACKSONVILLE, INC.	NORTH CAROLINA
USCOC OF LACROSSE, LLC	WISCONSIN
USCOC OF OREGON RSA # 5, INC.	DELAWARE
USCOC OF PENNSYLVANIA RSA NO. 10-B2, INC.	DELAWARE
USCOC OF RICHLAND, INC.	WASHINGTON
USCOC OF ROCHESTER, INC.	DELAWARE
USCOC OF SOUTH CAROLINA RSA # 4, INC.	SOUTH CAROLINA
USCOC OF TEXAHOMA, INC.	TEXAS
USCOC OF VIRGINIA RSA # 2, INC.	VIRGINIA
USCOC OF VIRGINIA RSA # 3, INC.	VIRGINIA
USCOC OF WASHINGTON-4, INC.	DELAWARE
USCOC OF WILMINGTON, INC.	NORTH CAROLINA
VERMONT RSA NO. 2-B2, INC.	DELAWARE
WASHINGTON RSA # 5, INC.	WASHINGTON
WATERLOO / CEDAR FALLS CELLTELCO PARTNERSHIP	WASHINGTON, D.C.
WESTELCOM CELLULAR, INC.	NEW YORK
WESTERN SUB-RSA LIMITED PARTNERSHIP	DELAWARE
WILMINGTON CELLULAR PARTNERSHIP	NORTH CAROLINA
WILMINGTON CELLULAR TELEPHONE COMPANY	NORTH CAROLINA

YAKIMA MSA LIMITED PARTNERSHIP	DELAWARE
TDS TELECOMMUNICATIONS	
TDS TELECOMMUNICATIONS CORPORATION	DELAWARE
INCUMBENT LOCAL EXCHANGE COMPANIES	
AMELIA TELEPHONE CORPORATION	VIRGINIA
ARCADIA TELEPHONE COMPANY	OHIO
ARIZONA TELEPHONE COMPANY	ARIZONA
ARVIG TELEPHONE COMPANY	MINNESOTA
ASOTIN TELEPHONE COMPANY	WASHINGTON
BADGER TELECOM, LLC	DELAWARE
BARNARDSVILLE TELEPHONE COMPANY	NORTH CAROLINA
BLACK EARTH TELEPHONE COMPANY, LLC	DELAWARE
BLUE RIDGE TELEPHONE COMPANY	GEORGIA
BONDUEL TELEPHONE COMPANY, LLC	DELAWARE
BRIDGE WATER TELEPHONE COMPANY	MINNESOTA
BURLINGTON, BRIGHTON & WHEATLAND TELEPHONE COMPANY, LLC	DELAWARE
BUTLER TELEPHONE COMPANY, INC.	ALABAMA
CALHOUN CITY TELEPHONE COMPANY, INC.	MISSISSIPPI
CAMDEN TELEPHONE AND TELEGRAPH COMPANY, INC.	GEORGIA
CAMDEN TELEPHONE COMPANY, INC	INDIANA
CENTRAL STATE TELEPHONE COMPANY, LLC	DELAWARE
CHATHAM TELEPHONE COMPANY	MICHIGAN
CLEVELAND COUNTY TELEPHONE COMPANY, INC.	ARKANSAS
COBBOSSEECONTEE TELEPHONE COMPANY	MAINE
COMMUNICATION CORPORATION OF MICHIGAN	MICHIGAN
COMMUNICATIONS CORPORATION OF INDIANA	INDIANA
COMMUNICATIONS CORPORATION OF SOUTHERN INDIANA	INDIANA
CONCORD TELEPHONE EXCHANGE, INC.	TENNESSEE
CONTINENTAL TELEPHONE COMPANY	OHIO
DECATUR TELEPHONE COMPANY, INC.	ARKANSAS
DELTA COUNTY TELE-COMM, INC.	COLORADO
DEPOSIT TELEPHONE COMPANY, INC.	NEW YORK
DICKEYVILLE TELEPHONE, LLC	DELAWARE
EASTCOAST TELECOM OF WISCONSIN, LLC	DELAWARE
EDWARDS TELEPHONE COMPANY, INC.	NEW YORK
GRANTLAND TELECOM, LLC	DELAWARE
HAMPDEN TELEPHONE COMPANY	MAINE
HAPPY VALLEY TELEPHONE COMPANY	CALIFORNIA
HARTLAND & ST. ALBANS TELEPHONE COMPANY	MAINE
HOLLIS TELEPHONE COMPANY, INC	NEW HAMPSHIRE
HOME TELEPHONE COMPANY	OREGON
HOME TELEPHONE COMPANY, INC.	INDIANA
HORNITOS TELEPHONE CO.	CALIFORNIA
HUMPHREYS COUNTY TELEPHONE COMPANY	TENNESSEE
ISLAND TELEPHONE COMPANY	MICHIGAN
KEARSARGE TELEPHONE COMPANY	NEW HAMPSHIRE
LESLIE COUNTY TELEPHONE COMPANY	KENTUCKY
LEWIS RIVER TELEPHONE COMPANY, INC.	WASHINGTON
LEWISPORT TELEPHONE COMPANY	KENTUCKY
LITTLE MIAMI COMMUNICATIONS CORPORATION	OHIO
LUDLOW TELEPHONE COMPANY	VERMONT
MAHANOY & MAHANTANGO TELEPHONE COMPANY	PENNSYLVANIA
MCCLELLANVILLE TELEPHONE COMPANY, INC.	SOUTH CAROLINA
MCDANIEL TELEPHONE COMPANY	WASHINGTON

MERRIMACK COUNTY TELEPHONE COMPANY	NEW HAMPSHIRE
MID-AMERICA TELEPHONE, INC.	OKLAHOMA
MID-PLAINS TELEPHONE, LLC	DELAWARE
MID-STATE TELEPHONE COMPANY	MINNESOTA
MIDWAY TELEPHONE COMPANY, LLC	DELAWARE
MOSINEE TELECOM, LLC	WISCONSIN
MOSINEE TELEPHONE COMPANY, LLC	DELAWARE
MT. VERNON TELEPHONE COMPANY, LLC	DELAWARE
MTC WIRELESS, LLC	WISCONSIN
MYRTLE TELEPHONE COMPANY, INC.	MISSISSIPPI
NELSON-BALL GROUND TELEPHONE COMPANY	GEORGIA
NEW CASTLE TELEPHONE COMPANY	VIRGINIA
NEW LONDON TELEPHONE COMPANY	MISSOURI
NORTHFIELD TELEPHONE COMPANY	VERMONT
NORWAY TELEPHONE COMPANY, INC.	SOUTH CAROLINA
OAKMAN TELEPHONE COMPANY, INC.	ALABAMA
OAKWOOD TELEPHONE COMPANY	OHIO
OKLAHOMA COMMUNICATION SYSTEMS, INC.	OKLAHOMA
ORCHARD FARM TELEPHONE COMPANY	MISSOURI
ORISKANY FALLS TELEPHONE CORPORATION	NEW YORK
PEOPLES TELEPHONE COMPANY, INC.	ALABAMA
PERKINSVILLE TELEPHONE COMPANY, INC.	VERMONT
PORT BYRON TELEPHONE COMPANY	NEW YORK
POTLATCH TELEPHONE COMPANY	IDAHO
QUINCY TELEPHONE COMPANY	FLORIDA
RIVERSIDE TELECOM, LLC	DELAWARE
S & W TELEPHONE COMPANY, INC.	INDIANA
SALEM TELEPHONE COMPANY	KENTUCKY
SALUDA MOUNTAIN TELEPHONE COMPANY	NORTH CAROLINA
SCANDINAVIA TELEPHONE COMPANY, LLC	DELAWARE
SERVICE TELEPHONE COMPANY	NORTH CAROLINA
SHIAWASSEE TELEPHONE COMPANY	MICHIGAN
SOMERSET TELEPHONE COMPANY	MAINE
SOUTHEAST MISSISSIPPI TELEPHONE COMPANY, INC.	MISSISSIPPI
SOUTHEAST TELEPHONE CO. OF WISCONSIN, LLC	DELAWARE
SOUTHWESTERN TELEPHONE COMPANY	ARIZONA
ST. STEPHEN TELEPHONE COMPANY	SOUTH CAROLINA
STOCKBRIDGE & SHERWOOD TELEPHONE COMPANY, LLC.	DELAWARE
STRASBURG TELEPHONE COMPANY	COLORADO
SUGAR VALLEY TELEPHONE COMPANY	PENNSYLVANIA
TELLICO TELEPHONE COMPANY, INC.	TENNESSEE
TENNESSEE TELEPHONE COMPANY	TENNESSEE
TENNEY TELEPHONE COMPANY, LLC	DELAWARE
THE FARMERS TELEPHONE COMPANY, LLC	DELAWARE
THE HOME TELEPHONE COMPANY OF PITTSBORO, INC.	INDIANA
THE ISLAND TELEPHONE COMPANY	MAINE
THE MERCHANTS AND FARMERS TELEPHONE COMPANY	INDIANA
THE STATE LONG DISTANCE TELEPHONE COMPANY, LLC	DELAWARE
THE STOUTLAND TELEPHONE COMPANY	MISSOURI
THE VANLUE TELEPHONE COMPANY	OHIO
THE WEST PENOBSCOT TELEPHONE & TELEGRAPH COMPANY	MAINE
TIPTON TELEPHONE COMPANY, INC.	INDIANA
TOWNSHIP TELEPHONE COMPANY, INC.	NEW YORK
TRI-COUNTY TELEPHONE COMPANY, INC.	INDIANA
UNION TELEPHONE COMPANY	NEW HAMPSHIRE
UTELCO, LLC	DELAWARE
VERNON TELEPHONE COMPANY, INC.	NEW YORK

VIRGINIA TELEPHONE COMPANY	VIRGINIA
WARREN TELEPHONE COMPANY	MAINE
WAUNAKEE TELEPHONE COMPANY, LLC	DELAWARE
WEST POINT TELEPHONE COMPANY, INCORPORATED	INDIANA
WILLISTON TELEPHONE COMPANY	SOUTH CAROLINA
WILTON TELEPHONE COMPANY, INC.	NEW HAMPSHIRE
WINSTED TELEPHONE COMPANY	MINNESOTA
WINTERHAVEN TELEPHONE COMPANY	CALIFORNIA
WISCONSIN HOOPS NETWORK, LLC	WISCONSIN
WOLVERINE TELEPHONE COMPANY	MICHIGAN
WYANDOTTE TELEPHONE COMPANY	OKLAHOMA
OTHER COMPANIES	
M.C.T. COMMUNICATIONS, INC.	NEW HAMPSHIRE
TDS COMMUNICATION SOLUTIONS, INC.	DELAWARE
TDS LONG DISTANCE CORPORATION	DELAWARE
TDS METROCOM, LLC	DELAWARE
TDS TELECOM SERVICE CORPORATION	IOWA
TDSI TELECOMMUNICATIONS CORPORATION	DELAWARE
TRI-COUNTY COMMUNICATIONS CORPORATION	INDIANA
U.S. LINK, INC.	MINNESOTA
TDS GROUP	
AFFILIATE FUND	DELAWARE
COMMVEST, INC.	DELAWARE
NATIONAL TELEPHONE & TELEGRAPH COMPANY	DELAWARE
NELSON-BALL GROUND CELLULAR TELEPHONE & SERVICES, INC.	GEORGIA
SUTTLE-STRAUS, INC.	WISCONSIN
TDSI CORPORATION	DELAWARE

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 33-8857-99, 33-59435-99, 333-125001, 333-155078, 333-155081, 333-155085), Form S-4 (No. 33-64293) and Form S-8 (Nos. 333-58127, 333-105676, 333-125002, 333-125003, 333-125004, 333-152842 and 333-161118) of Telephone and Data Systems, Inc. of our report dated February 25, 2010 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K**.** We also consent to the incorporation by reference of our report dated February 25, 2010 relating to the financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Chicago, Illinois
February 25, 2010

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements on Form S-3 (Nos. 33-8857-99, 33-59435-99, 333-125001, 333-155078, 333-155081, and 333-155085), in the Registration Statement on Form S-4 (No. 33-64293), and in the Registration Statements on Form S-8 (Nos. 333-58127, 333-105676, 333-125002, 333-125003, 333-125004, 333-152842, and 333-161118) of Telephone and Data Systems, Inc. of our report dated February 25, 2010, relating to the financial statements of Los Angeles SMSA Limited Partnership as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009, appearing in the Annual Report on Form 10-K of Telephone and Data Systems, Inc. for the year ended December 31, 2009.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 25, 2010

Certification of Chief Executive Officer

I, LeRoy T. Carlson, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Telephone and Data Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2010

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

Exhibit 31.2

Certification of Chief Financial Officer

I, Kenneth R. Meyers, certify that:

1. I have reviewed this annual report on Form 10-K of Telephone and Data Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2010

/s/ Kenneth R. Meyers
Kenneth R. Meyers
Executive Vice President and
Chief Financial Officer

Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

I, LeRoy T. Carlson, Jr., the chief executive officer of Telephone and Data Systems, Inc., certify that (i) the annual report on Form 10-K for the year ended December 31, 2009 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Telephone and Data Systems, Inc.

/s/ LeRoy T. Carlson, Jr.
LeRoy T. Carlson, Jr.
February 25, 2010

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Telephone and Data Systems, Inc. and will be retained by Telephone and Data Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code**

I, Kenneth R. Meyers, the chief financial officer of Telephone and Data Systems, Inc., certify that (i) the annual report on Form 10-K for the year ended December 31, 2009 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Telephone and Data Systems, Inc.

/s/ Kenneth R. Meyers
Kenneth R. Meyers
February 25, 2010

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Telephone and Data Systems, Inc. and will be retained by Telephone and Data Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.