

TELEPHONE & DATA SYSTEMS INC /DE/
Form DEFA14A
November 04, 2011

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Telephone and Data Systems, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a 6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0 11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
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Form or Schedule and the date of its filing.

- | | |
|-----|---|
| (1) | Amount Previously Paid: |
| (2) | Form, Schedule or Registration Statement No.: |
| (3) | Filing Party: |
| (4) | Date Filed: |
-

EXPLANATORY NOTE

The purpose of this Schedule 14A is to file a press release issued by Telephone and Data Systems, Inc. (“TDS”) on November 4, 2011, which included certain disclosures relating to the proposals included in TDS’ proxy statement dated August 31, 2011.

NEWS RELEASE

As previously announced, TDS will hold a teleconference Nov. 4, 2011 at 9:00 a.m. CDT. Interested parties may listen to the call live by accessing the Investor Relations page of www.teldta.com.

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FOR RELEASE: IMMEDIATE

TDS REPORTS THIRD QUARTER 2011 RESULTS

Revenues increase 5 percent; profitability improves

Note: Comparisons are year over year unless otherwise noted.

3Q 2011 Highlights

TDS Consolidated

- § Operating revenues increased 5 percent to \$1.3 billion.
- § Operating income increased 50 percent to \$126.9 million.
- § Diluted earnings per share attributable to TDS shareholders increased to \$0.68 from \$0.39.

U.S. Cellular

- § Smartphones sold, as a percent of total devices sold, increased to 39.9 percent from 23.6 percent; smartphone customers increased to 26.2 percent of postpaid customers from 12.1 percent.
- § Postpaid ARPU (average revenue per unit) increased to \$52.41 from \$50.82.
- § Service revenues increased 5 percent to \$1,036.6 million.
- § Operating income increased 66 percent to \$101.6 million.
- § Net loss of 23,000 retail customers, reflecting loss of 34,000 postpaid customers and gain of 11,000 prepaid customers; postpaid customers comprised 95 percent of retail customers.
- § Cell sites in service increased 4 percent to 7,828.

TDS Telecom

- § Operating revenues increased 4 percent to \$210.8 million.
- § Operating income increased 2 percent to \$25.2 million.
- § ILEC triple play penetration increased to 28.5 percent from 24.6 percent.
- § *managed*IP stations (ILEC and CLEC) grew to 39,400 from 23,400.

CHICAGO – Nov. 4, 2011 — Telephone and Data Systems, Inc. [NYSE:TDS, TDS.S] reported operating revenues of \$1,325.4 million for the third quarter of 2011, an increase of 5 percent from \$1,266.4 million in the comparable period one year ago. Net income attributable to TDS shareholders and related diluted earnings per share were \$71.3 million and \$0.68, respectively, for the third quarter of 2011, compared to \$41.4 million and \$0.39, respectively, in the comparable period one year ago.

“U.S. Cellular and TDS Telecom are focused on competing more effectively for new customers,” said LeRoy T. Carlson, Jr., TDS president and CEO, “while continuing to satisfy and retain their current customers. Both companies are also working to improve operational excellence and efficiency.”

“U.S. Cellular increased its margins and profitability, through growth in inbound roaming revenue, and through expense control. Average revenue per customer also grew, as more customers chose smartphones and data plans.

“TDS Telecom had a solid quarter, increasing operating revenues and operating income. ILEC data revenues continued to increase, due mainly to growth in hosted and managed services revenues and high-speed data customers. TDS Telecom also continued to add managedIP stations in its commercial business.

“The TDS Board of Directors is currently considering potential changes to our share consolidation proposal and anticipates completing this review process in the near future. Management and the TDS Board of Directors continue to believe that the share consolidation is in the best interests of all TDS shareowners and will simplify TDS' capital structure, improve market liquidity and provide greater financial flexibility.”

Guidance for year ending Dec. 31, 2011

Guidance for the year ending Dec. 31, 2011, as of Nov. 4, 2011, is provided below, compared to the previous guidance provided on Aug. 8, 2011. 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 this guidance.

| U.S. Cellular | Current Estimates | Previous Estimates (1) |
|---|--------------------------|-------------------------------|
| | \$4,000-\$4,100 | |
| Service revenues | million | Unchanged |
| Operating income (3) (4) | \$230-\$305 million | \$210-\$285 million |
| Depreciation, amortization and accretion expenses, and losses on asset disposals and exchanges and impairment of assets (3) | Approx. \$590 million | Unchanged |
| Adjusted OIBDA (2) (4) | \$820-\$895 million | \$800-\$875 million |
| Capital expenditures (4) | \$750-\$800 million | Unchanged |

TDS Telecom

| | | |
|---|-----------------------|-----------|
| Operating revenues | \$800-\$830 million | Unchanged |
| Operating income (3) | \$85-\$115 million | Unchanged |
| Depreciation, amortization and accretion expenses, and losses on asset disposals and impairment of assets (3) | Approx. \$185 million | Unchanged |
| Adjusted OIBDA (2) | \$270-\$300 million | Unchanged |
| Capital expenditures (5) | \$175-\$200 million | Unchanged |

(1) The 2011 Estimated Results as disclosed in the TDS Quarterly Report on Form 10-Q for the period ended June 30, 2011.

(2) Adjusted OIBDA is defined as Operating income excluding the effects of: Depreciation, amortization and accretion (OIBDA); the net gain or loss on asset disposals and exchanges (if any); and the loss on impairment of assets (if any). This measure also may be commonly referred to by management as operating cash flow. This measure should not be confused with Cash flows from operating activities, which is a component of the Consolidated statement of cash flows.

(3) The 2011 Estimated Results do not include any estimate for losses on impairment of assets since these cannot be predicted.

(4) This guidance is based on U.S. Cellular's current operations, which include a multi-year deployment of Long-term Evolution ("LTE") technology commencing in 2011. As customer demand for data services increases, and competitive conditions in the wireless industry evolve, such as the rate of deployment of LTE technology by other carriers, the timing of U.S. Cellular's deployment of LTE and the timing of other capital expenditures could change. These factors could affect U.S. Cellular's estimated capital expenditures and operating expenses in 2011.

(5) The capital expenditure guidance does not include federal grants of \$105.1 million awarded to TDS Telecom through the Broadband Stimulus program under the American Recovery and Reinvestment Act for 44 projects to be completed between 2011 and 2015.

Stock repurchase summary

The following represents repurchases of TDS Common Shares and TDS Special Common Shares.

| Repurchase Period | # Shares | | Cost (in millions) |
|-------------------|------------|----|--------------------|
| 2011 (YTD) | 748,246 | \$ | 21.5 |
| 2010 (full year) | 2,394,476 | \$ | 68.1 |
| 2009 (full year) | 6,374,741 | \$ | 176.6 |
| 2008 (full year) | 5,861,822 | \$ | 199.6 |
| Total | 15,379,285 | \$ | 465.8 |

Conference call information

TDS will hold a conference call on Nov. 4, 2011 at 9:00 a.m. CDT.

- Access the live call on the Investor Relations page of www.teldta.com or at <http://www.videonewswire.com/event.asp?id=82599>.
- Access the call by phone at 877/407-8029 (US/Canada), no pass code required.

Before the call, certain financial and statistical information to be discussed during the call will be posted to the Investor Relations page of www.teldta.com. The call will be archived on the Conference Calls page of www.teldta.com.

IMPORTANT INFORMATION: The foregoing information is not a solicitation of a proxy from any TDS shareholder. This is being done only pursuant to a definitive proxy statement. Additional information relating to the foregoing is included in TDS' proxy materials filed with the Securities and Exchange Commission ("SEC") and distributed to shareholders. **INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ SUCH MATERIALS BECAUSE THEY CONTAIN IMPORTANT INFORMATION.** Shareholders and other investors may access such materials without charge at the SEC's web site (www.sec.gov) and on the TDS web site (www.teldta.com) in the Investor Relations section on the SEC filings page. In addition, shareholders may obtain free copies of the proxy materials by contacting TDS' proxy solicitor, MacKenzie Partners at (800) 322-2885. TDS and its executive officers and directors may be deemed to be participants in the solicitation of proxies from TDS shareholders on behalf of the TDS board of directors in connection with the foregoing. Information concerning such participants and their respective direct or indirect interests in TDS by security holdings or otherwise is included in TDS' definitive proxy statement.

About TDS

Telephone and Data Systems, Inc. (TDS), a Fortune 500® company, provides wireless, local and long-distance telephone, and broadband services to approximately 7 million customers in 36 states through its business units, U.S. Cellular (wireless) and TDS Telecom (wireline). Founded in 1969 and headquartered in Chicago, TDS employed 12,300 people as of September 30, 2011.

Visit www.teldta.com for comprehensive financial information, including earnings releases, quarterly and annual filings, shareholder information and more.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: All information set forth in this news release, except historical and factual information, represents forward-looking statements. This includes all statements about the company's plans, beliefs, estimates and expectations. These statements are based on current estimates, projections and assumptions, which involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Important factors that may affect these forward-looking statements include, but are not limited to: the ability of the company to successfully grow its markets; the overall economy; competition; the access to and pricing of unbundled network elements; the ability to obtain or maintain roaming arrangements with other carriers; the state and federal telecommunications regulatory environment; the value of assets and investments; adverse changes in the ratings afforded TDS and U.S. Cellular debt securities by accredited ratings organizations; industry consolidation; advances in telecommunications technology; uncertainty of access to the capital markets; pending and future litigation; changes in income tax rates, laws, regulations or rulings; acquisitions/divestitures of properties and/or licenses; and changes in customer growth rates, average monthly revenue per unit, churn rates, roaming revenue and terms, the availability of handset devices, or the mix of products and services offered by U.S. Cellular and TDS Telecom. Investors are encouraged to consider these and other risks and uncertainties that are discussed in the Form 8-K used by TDS to furnish this press release to the SEC, which are incorporated by reference herein.

For more information about TDS and its subsidiaries, visit:

TDS: www.teldta.com

U.S. Cellular: www.uscellular.com

TDS Telecom: www.tdstelecom.com

United States Cellular Corporation

Summary Operating Data (Unaudited)

| Quarter Ended | 9/30/2011 | 6/30/2011 | 3/31/2011 | 12/31/2010 | 9/30/2010 |
|---|------------------|------------------|------------------|-------------------|------------------|
| Total population | | | | | |
| Consolidated markets (1) | 91,965,000 | 91,204,000 | 91,090,000 | 90,468,000 | 90,468,000 |
| Consolidated operating markets (1) | 46,888,000 | 46,888,000 | 46,774,000 | 46,546,000 | 46,546,000 |
| Market penetration at end of period | | | | | |
| Consolidated markets (2) | 6.5% | 6.5% | 6.6% | 6.7% | 6.7% |
| Consolidated operating markets (2) | 12.7% | 12.7% | 12.9% | 13.0% | 13.1% |
| All customers | | | | | |
| Total at end of period | 5,932,000 | 5,968,000 | 6,033,000 | 6,072,000 | 6,103,000 |
| Gross additions | 299,000 | 257,000 | 293,000 | 327,000 | 338,000 |
| Net additions (losses) | (36,000) | (70,000) | (39,000) | (31,000) | (41,000) |
| Smartphones sold as a percent of total devices sold (3) | 39.9% | 39.6% | 42.5% | 39.6% | 23.6% |
| Retail customers | | | | | |
| Total at end of period | 5,621,000 | 5,644,000 | 5,698,000 | 5,729,000 | 5,750,000 |
| Smartphone penetration (3) (4) | 26.2% | 23.0% | 20.2% | 16.6% | 12.1% |
| Gross additions | 284,000 | 226,000 | 256,000 | 292,000 | 301,000 |
| Net retail additions (losses) (5) | (23,000) | (58,000) | (31,000) | (21,000) | (25,000) |
| Net postpaid additions (losses) | (34,000) | (41,000) | (22,000) | (10,000) | (25,000) |
| Net prepaid additions (losses) | 11,000 | (17,000) | (9,000) | (11,000) | — |
| Service revenue components (000s) | | | | | |
| Retail service | \$ 871,199 | \$ 868,630 | \$ 864,602 | \$ 864,905 | \$ 865,766 |
| Inbound roaming | 107,810 | 82,760 | 64,386 | 67,545 | 72,901 |
| Other | 57,600 | 50,640 | 56,125 | 59,464 | 44,836 |

| | | | | | | |
|--------------------------------|----|-----------|----|-----------|----|---------|
| Total service revenues | | | | | | |
| (000s) | \$ | 1,036,609 | \$ | 1,002,030 | \$ | 985,113 |
| | \$ | | \$ | | \$ | 991,914 |
| | \$ | | \$ | | \$ | 983,503 |
| Total ARPU (6) | \$ | 58.09 | \$ | 55.69 | \$ | 54.29 |
| | \$ | | \$ | | \$ | 54.37 |
| | \$ | | \$ | | \$ | 53.53 |
| Billed ARPU (7) | \$ | 48.82 | \$ | 48.27 | \$ | 47.65 |
| | \$ | | \$ | | \$ | 47.41 |
| | \$ | | \$ | | \$ | 47.12 |
| Postpaid ARPU (8) | \$ | 52.41 | \$ | 51.84 | \$ | 51.21 |
| | \$ | | \$ | | \$ | 50.99 |
| | \$ | | \$ | | \$ | 50.82 |
| Postpaid churn rate (9) | | 1.5% | | 1.4% | | 1.4% |
| | | | | | | 1.5% |
| | | | | | | 1.6% |
| Capital expenditures | | | | | | |
| (000s) | \$ | 248,000 | \$ | 162,100 | \$ | 95,900 |
| | \$ | | \$ | | \$ | 203,400 |
| | \$ | | \$ | | \$ | 124,700 |
| Cell sites in service | | 7,828 | | 7,770 | | 7,663 |
| | | | | | | 7,645 |
| | | | | | | 7,524 |

(1) Used only to calculate market penetration of consolidated markets and consolidated operating markets, respectively. See footnote (2) below.

(2) Market Penetration is calculated by dividing the number of wireless customers at the end of the period by the total population of consolidated markets and consolidated operating markets, respectively, as estimated by Claritas.

(3) Smartphones represent wireless devices which run on a Blackberry®, Windows Mobile, or Android operating system.

(4) Smartphone penetration is calculated by dividing postpaid customers on smartphone service plans by total postpaid customers.

(5) Includes net postpaid additions (losses) and net prepaid additions (losses).

(6) Total ARPU - Average monthly service revenue per customer includes retail service, inbound roaming and other service revenues and is calculated by dividing total service revenues by the number of months in the period and by the average total customers during the period.

(7) Billed ARPU - Average monthly billed revenue per customer is calculated by dividing total retail service revenues by the number of months in the period and by the average total customers during the period. Retail service revenues include revenues attributable to postpaid, prepaid and reseller customers.

(8) Postpaid ARPU - Average monthly revenue per postpaid customer is calculated by dividing total retail service revenues from postpaid customers by the number of months in the period and by the average postpaid customers during the period.

(9) Represents the percentage of the retail postpaid customer base that disconnects service each month. This amount represents the average postpaid churn rate for each respective quarterly period.

TDS Telecom

Summary Operating Data (Unaudited)

| Quarter Ended | 9/30/2011 | 6/30/2011 | 3/31/2011 | 12/31/2010 | 9/30/2010 |
|-------------------------------|-----------|-----------|-----------|------------|-----------|
| TDS Telecom | | | | | |
| ILEC: | | | | | |
| Equivalent access lines (1) | 762,500 | 764,600 | 765,300 | 767,200 | 773,800 |
| Physical access lines (2) | 490,200 | 496,300 | 501,200 | 507,700 | 517,000 |
| High-speed data customers (3) | 239,000 | 235,600 | 231,800 | 227,700 | 225,400 |
| Long-distance customers | 373,300 | 373,200 | 370,600 | 370,100 | 370,800 |
| <i>managedIP</i> stations (4) | 5,800 | 5,100 | 4,300 | 3,600 | 3,100 |
| Capital expenditures (000s) | \$ 51,500 | \$ 39,100 | \$ 22,100 | \$ 55,700 | \$ 33,000 |
| CLEC: | | | | | |
| Equivalent access lines (1) | 322,600 | 328,700 | 331,000 | 335,400 | 338,700 |
| High-speed data customers (3) | 30,200 | 31,500 | 32,300 | 33,100 | 33,900 |
| <i>managedIP</i> stations (4) | 33,600 | 30,200 | 27,200 | 23,800 | 20,300 |
| Capital expenditures (000s) | \$ 4,700 | \$ 6,200 | \$ 4,200 | \$ 6,200 | \$ 5,500 |

(1) 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 *managedIP* stations.

(2) Individual circuits connecting customers to a telephone company's central office facilities.

(3) The number of customers provided high-capacity data circuits via various technologies, including DSL, *managedIP* and dedicated Internet circuit technologies.

(4) The number of telephone handsets providing communications using packet networking technology.

Telephone and Data Systems, Inc.

Consolidated Statement of Operations Highlights

Three Months Ended September 30,

(Unaudited, dollars and shares in thousands, except per share amounts)

| | 2011 | 2010 (1) | Increase/ (Decrease) | |
|---|--------------|--------------|----------------------|---------|
| | | | Amount | Percent |
| Operating revenues | | | | |
| U.S. Cellular | \$ 1,110,439 | \$ 1,060,781 | \$ 49,658 | 5% |
| TDS Telecom | 210,806 | 202,030 | 8,776 | 4% |
| All Other (2) | 4,178 | 3,605 | 573 | 16% |
| | 1,325,423 | 1,266,416 | 59,007 | 5% |
| Operating expenses | | | | |
| U.S. Cellular | | | | |
| Expenses excluding depreciation, amortization and accretion | 876,855 | 854,250 | 22,605 | 3% |
| Depreciation, amortization and accretion | 141,664 | 143,191 | (1,527) | (1%) |
| (Gain) loss on asset disposals and exchanges, net | (9,700) | 1,981 | (11,681) | >(100%) |
| | 1,008,819 | 999,422 | 9,397 | 1% |
| TDS Telecom | | | | |
| Expenses excluding depreciation, amortization and accretion | 139,601 | 133,412 | 6,189 | 5% |
| Depreciation, amortization and accretion | 45,682 | 43,645 | 2,037 | 5% |
| (Gain) loss on asset disposals, net | 337 | 390 | (53) | (14%) |
| | 185,620 | 177,447 | 8,173 | 5% |
| All Other (2) | | | | |
| Expenses excluding depreciation and amortization | 1,355 | 2,243 | (888) | (40%) |
| Depreciation and amortization | 2,693 | 2,610 | 83 | 3% |
| (Gain) loss on asset disposals, net | 12 | 7 | 5 | 71% |
| | 4,060 | 4,860 | (800) | (16%) |
| Total operating expenses | 1,198,499 | 1,181,729 | 16,770 | 1% |
| Operating income (loss) | | | | |
| U.S. Cellular | 101,620 | 61,359 | 40,261 | 66% |
| TDS Telecom | 25,186 | 24,583 | 603 | 2% |
| All Other (2) | 118 | (1,255) | 1,373 | >(100%) |
| | 126,924 | 84,687 | 42,237 | 50% |
| Investment and other income (expense) | | | | |
| Equity in earnings of unconsolidated entities | 22,053 | 24,147 | (2,094) | (9%) |

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| | | | | |
|---|-----------|-----------|-----------|---------|
| Interest and dividend income | 2,199 | 2,785 | (586) | (21%) |
| Gain on investment | 12,730 | — | 12,730 | N/M |
| Interest expense | (22,258) | (28,297) | 6,039 | 21% |
| Other, net | 115 | (438) | 553 | >(100%) |
| Total investment and other income (expense) | 14,839 | (1,803) | 16,642 | >(100%) |
| Income before income taxes | 141,763 | 82,884 | 58,879 | 71% |
| Income tax expense | 53,545 | 29,354 | 24,191 | 82% |
| Net income | 88,218 | 53,530 | 34,688 | 65% |
| Less: Net income attributable to noncontrolling interests, net of tax | (16,924) | (12,111) | (4,813) | (40%) |
| Net income attributable to TDS shareholders | 71,294 | 41,419 | 29,875 | 72% |
| Preferred dividend requirement | (12) | (12) | — | — |
| Net income available to common shareholders | \$ 71,282 | \$ 41,407 | \$ 29,875 | 72% |
| Basic weighted average shares outstanding | 103,487 | 104,881 | (1,394) | (1%) |
| Basic earnings per share attributable to TDS shareholders | \$ 0.69 | \$ 0.39 | \$ 0.30 | 77% |
| Diluted weighted average shares outstanding | 103,806 | 105,298 | (1,492) | (1%) |
| Diluted earnings per share attributable to TDS shareholders | \$ 0.68 | \$ 0.39 | \$ 0.29 | 74% |

(1) Amounts have been adjusted. See “Revision of Prior Period Amounts” section for additional details.

(2) Consists of Suttle Straus printing and distribution operations, corporate operations and intercompany eliminations.

N/M – Percentage change not meaningful

Telephone and Data Systems, Inc.

Consolidated Statement of Operations Highlights

Nine Months Ended September 30,

(Unaudited, dollars and shares in thousands, except per share amounts)

| | 2011 | 2010 (1) | Increase/ (Decrease) | |
|---|--------------|--------------|----------------------|---------|
| | | | Amount | Percent |
| Operating revenues | | | | |
| U.S. Cellular | \$ 3,243,713 | \$ 3,114,531 | \$ 129,182 | 4% |
| TDS Telecom | 608,618 | 596,741 | 11,877 | 2% |
| All Other (2) | 11,413 | 9,798 | 1,615 | 16% |
| | 3,863,744 | 3,721,070 | 142,674 | 4% |
| Operating expenses | | | | |
| U.S. Cellular | | | | |
| Expenses excluding depreciation, amortization and accretion | 2,553,409 | 2,472,758 | 80,651 | 3% |
| Depreciation, amortization and accretion | 431,581 | 427,831 | 3,750 | 1% |
| (Gain) loss on asset disposals and exchanges, net | (5,741) | 8,407 | (14,148) | >(100%) |
| | 2,979,249 | 2,908,996 | 70,253 | 2% |
| TDS Telecom | | | | |
| Expenses excluding depreciation, amortization and accretion | 390,216 | 390,842 | (626) | — |
| Depreciation, amortization and accretion | 134,362 | 130,217 | 4,145 | 3% |
| (Gain) loss on asset disposals, net | 758 | 667 | 91 | 14% |
| | 525,336 | 521,726 | 3,610 | 1% |
| All Other (2) | | | | |
| Expenses excluding depreciation and amortization | 8,040 | 6,290 | 1,750 | 28% |
| Depreciation and amortization | 7,954 | 7,997 | (43) | (1%) |
| (Gain) loss on asset disposals, net | 13 | (51) | 64 | >(100%) |
| | 16,007 | 14,236 | 1,771 | 12% |
| Total operating expenses | 3,520,592 | 3,444,958 | 75,634 | 2% |
| Operating income (loss) | | | | |
| U.S. Cellular | 264,464 | 205,535 | 58,929 | 29% |
| TDS Telecom | 83,282 | 75,015 | 8,267 | 11% |
| All Other (2) | (4,594) | (4,438) | (156) | (4%) |
| | 343,152 | 276,112 | 67,040 | 24% |
| Investment and other income (expense) | | | | |
| Equity in earnings of unconsolidated entities | 64,031 | 75,047 | (11,016) | (15%) |

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| | | | | |
|---|------------|------------|-----------|---------|
| Interest and dividend income | 6,916 | 7,900 | (984) | (12%) |
| Gain on investment | 26,103 | — | 26,103 | N/M |
| Interest expense | (94,184) | (86,520) | (7,664) | (9%) |
| Other, net | 1,501 | (2,557) | 4,058 | >(100%) |
| Total investment and other income (expense) | 4,367 | (6,130) | 10,497 | >(100%) |
| Income before income taxes | 347,519 | 269,982 | 77,537 | 29% |
| Income tax expense | 95,264 | 99,904 | (4,640) | (5%) |
| Net income | 252,255 | 170,078 | 82,177 | 48% |
| Less: Net income attributable to noncontrolling interests, net of tax | (45,503) | (38,373) | (7,130) | (19%) |
| Net income attributable to TDS shareholders | 206,752 | 131,705 | 75,047 | 57% |
| Preferred dividend requirement | (37) | (37) | — | — |
| Net income available to common shareholders | \$ 206,715 | \$ 131,668 | \$ 75,047 | 57% |
| Basic weighted average shares outstanding | 103,672 | 105,443 | (1,771) | (2%) |
| Basic earnings per share attributable to TDS shareholders | \$ 1.99 | \$ 1.25 | \$ 0.74 | 59% |
| Diluted weighted average shares outstanding | 104,094 | 105,800 | (1,706) | (2%) |
| Diluted earnings per share attributable to TDS shareholders | \$ 1.98 | \$ 1.24 | \$ 0.74 | 60 % |

(1) Amounts have been adjusted. See “Revision of Prior Period Amounts” section for additional details.

(2) Consists of Suttle Straus printing and distribution operations, corporate operations and intercompany eliminations.

N/M – Percentage change not meaningful

Telephone and Data Systems, Inc.**Consolidated Balance Sheet Highlights**

(Unaudited, dollars in thousands)

ASSETS

| | September 30, 2011 | December 31, 2010 (1) |
|---|-------------------------------|----------------------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 599,545 | \$ 368,134 |
| Short-term investments | 249,816 | 402,882 |
| Accounts receivable from customers and others | 536,129 | 512,946 |
| Inventory | 153,077 | 116,330 |
| Net deferred income tax asset | 37,132 | 37,079 |
| Prepaid expenses | 80,742 | 76,935 |
| Income taxes receivable | 60,960 | 64,985 |
| Other current assets | 17,922 | 17,384 |
| | 1,735,323 | 1,596,675 |
| Assets held for sale | 60,829 | — |
| Investments | | |
| Licenses | 1,493,796 | 1,460,126 |
| Goodwill | 797,084 | 728,455 |
| Other intangible assets, net | 54,291 | 30,810 |
| Investments in unconsolidated entities | 195,872 | 197,922 |
| Long-term investments | 85,676 | 102,185 |
| Other investments | 5,189 | 8,988 |
| | 2,631,908 | 2,528,486 |
| Property, plant and equipment, net | | |
| U.S. Cellular | 2,654,494 | 2,574,522 |
| TDS Telecom | 916,458 | 909,951 |
| Other | 56,311 | 33,311 |
| | 3,627,263 | 3,517,784 |
| Other assets and deferred charges | 107,237 | 79,623 |
| Total assets | \$ 8,162,560 | \$ 7,722,568 |

(1) Amounts have been adjusted. See "Revision of Prior Period Amounts" section for additional details.

Telephone and Data Systems, Inc.

Consolidated Balance Sheet Highlights

(Unaudited, dollars in thousands)

LIABILITIES AND EQUITY

| | September 30, 2011 | December 31, 2010 (1) |
|---|-----------------------|--------------------------|
| Current liabilities | | |
| Current portion of long-term debt | \$ 3,554 | \$ 1,711 |
| Accounts payable | 416,288 | 344,355 |
| Customer deposits and deferred revenues | 203,367 | 171,781 |
| Accrued interest | 14,678 | 4,308 |
| Accrued taxes | 45,682 | 46,110 |
| Accrued compensation | 76,481 | 99,020 |
| Other current liabilities | 108,634 | 144,938 |
| | 868,684 | 812,223 |
| Liabilities held for sale | 858 | — |
| Deferred liabilities and credits | | |
| Net deferred income tax liability | 771,049 | 589,092 |
| Other deferred liabilities and credits | 363,291 | 354,798 |
| Long-term debt | 1,528,350 | 1,499,862 |
| Noncontrolling interests with redemption features | 923 | 855 |
| Equity | | |
| TDS shareholders' equity | | |
| Series A Common, Special Common and Common Shares, par value \$.01 | 1,270 | 1,270 |
| Capital in excess of par value | 2,116,063 | 2,107,929 |
| Special Common and Common Treasury shares, at cost | (754,302) | (738,695) |
| Accumulated other comprehensive loss | (2,923) | (3,208) |
| Retained earnings | 2,619,055 | 2,450,599 |
| Total TDS shareholders' equity | 3,979,163 | 3,817,895 |
| Preferred shares | 830 | 830 |
| Noncontrolling interests | 649,412 | 647,013 |
| Total equity | 4,629,405 | 4,465,738 |
| Total liabilities and equity | \$ 8,162,560 | \$ 7,722,568 |

(1) Amounts have been adjusted. See "Revision of Prior Period Amounts" section for additional details.

Balance Sheet Highlights**September 30, 2011**

(Unaudited, dollars in thousands)

| | U.S. | TDS | TDS Corporate | Intercompany | TDS |
|--|--------------|------------|---------------|--------------|--------------|
| | Cellular | Telecom | & Other | Eliminations | Consolidated |
| Cash and cash equivalents | \$ 504,952 | \$ 2,925 | \$ 91,668 | \$ | \$ 599,545 |
| Affiliated cash investments | | 458,441 | | (458,441) | |
| Short-term investments | 110,761 | 53,584 | 85,471 | | 249,816 |
| | \$ 615,713 | \$ 514,950 | \$ 177,139 | \$ (458,441) | \$ 849,361 |
| Licenses, goodwill and other intangible assets | \$ 1,965,712 | \$ 556,051 | \$ (176,592) | \$ | \$ 2,345,171 |
| Investment in unconsolidated entities | 160,374 | 3,807 | 41,577 | (9,886) | 195,872 |
| Long-term and other investments | 49,256 | 1,229 | 40,380 | | 90,865 |
| | \$ 2,175,342 | \$ 561,087 | \$ (94,635) | \$ (9,886) | \$ 2,631,908 |
| Property, plant and equipment, net | \$ 2,654,494 | \$ 916,458 | \$ 56,311 | \$ | \$ 3,627,263 |
| Long-term debt: | | | | | |
| Current portion | \$ 101 | \$ 209 | \$ 3,244 | \$ | \$ 3,554 |
| Non-current portion | 880,411 | 1,828 | 646,111 | | 1,528,350 |
| Total | \$ 880,512 | \$ 2,037 | \$ 649,355 | \$ | \$ 1,531,904 |
| Preferred shares | \$ | \$ | \$ 830 | \$ | \$ 830 |

Telephone and Data Systems, Inc.**Schedule of Cash and Cash Equivalents and Investments**

(Unaudited, dollars in thousands)

The following table presents TDS' cash and cash equivalents and investments at September 30, 2011 and December 31, 2010.

| | September 30, 2011 | December 31, 2010 |
|---|-------------------------------|------------------------------|
| Cash and cash equivalents | \$ 599,545 | \$ 368,134 |
| Amounts included in short-term investments (1) (2) | | |
| Government-backed securities (3) | 196,232 | 305,612 |
| Certificates of deposit | 53,584 | 97,270 |
| | \$ 249,816 | \$ 402,882 |
| Amounts included in long-term investments (1) (4) | | |
| Government-backed securities (3) | \$ 85,676 | \$ 102,185 |

(1) Designated as held-to-maturity investments and recorded at amortized cost in the Consolidated Balance Sheet.

(2) Maturities are less than twelve months from the respective balance sheet dates.

(3) Includes U.S. treasuries and corporate notes that are guaranteed under the FDIC's Temporary Liquidity Guarantee Program.

(4) At September 30, 2011, maturities range between 13 and 23 months from the balance sheet date.

Telephone and Data Systems, Inc.**Consolidated Statement of Cash Flows****Nine Months Ended September 30,**

(Unaudited, dollars in thousands)

| | 2011 | 2010 (1) |
|--|-------------|-----------------|
| Cash flows from operating activities | | |
| Net income | \$ 252,255 | \$ 170,078 |
| Add (deduct) adjustments to reconcile net income to net cash flows from operating activities | | |
| Depreciation, amortization and accretion | 573,897 | 566,045 |
| Bad debts expense | 49,101 | 61,087 |
| Stock-based compensation expense | 27,792 | 26,055 |
| Deferred income taxes, net | 160,436 | 56,839 |
| Equity in earnings of unconsolidated entities | (64,031) | (75,047) |
| Distributions from unconsolidated entities | 52,385 | 59,519 |
| (Gain) loss on asset disposals and exchanges, net | (4,970) | 9,023 |
| Gain on investment | (26,103) | — |
| Noncash interest expense | 17,973 | 4,143 |
| Other operating activities | 1,630 | 502 |
| Changes in assets and liabilities from operations | | |
| Accounts receivable | (69,690) | (48,891) |
| Inventory | (36,387) | 32,571 |
| Accounts payable | 69,929 | (49,034) |
| Customer deposits and deferred revenues | 31,191 | 2,363 |
| Accrued taxes | 2,011 | (42,843) |
| Accrued interest | 10,519 | 9,343 |
| Other assets and liabilities | (74,673) | (16,973) |
| | 973,265 | 764,780 |
| Cash flows from investing activities | | |
| Additions to property, plant and equipment | (643,396) | (486,138) |
| Cash paid for acquisitions and licenses | (105,184) | (28,264) |
| Cash paid for investments | (101,000) | (433,750) |
| Cash received for investments | 268,686 | 40,765 |
| Other investing activities | (3,703) | 1,681 |
| | (584,597) | (905,706) |
| Cash flows from financing activities | | |
| Repayment of long-term debt | (613,933) | (2,182) |
| Issuance of long-term debt | 643,700 | — |
| TDS Common Shares and Special Common Shares reissued for benefit plans, net of tax payments | 1,402 | 1,183 |

| | | |
|---|------------|------------|
| U.S. Cellular Common Shares reissued for benefit plans, net of tax payments | 1,755 | 738 |
| Repurchase of TDS Common and Special Common Shares | (21,500) | (50,543) |
| Repurchase of U.S. Cellular Common Shares | (62,294) | (40,520) |
| Dividends paid | (36,496) | (35,502) |
| Payment of debt issuance costs | (21,650) | — |
| Distributions to noncontrolling interests | (1,676) | (5,828) |
| Other financing activities | (35,328) | (7,404) |
| | (146,020) | (140,058) |
| Cash classified as held for sale | (11,237) | — |
| Net increase (decrease) in cash and cash equivalents | 231,411 | (280,984) |
| Cash and cash equivalents | | |
| Beginning of period | 368,134 | 670,992 |
| End of period | \$ 599,545 | \$ 390,008 |

(1) Amounts have been adjusted. See “Revision of Prior Period Amounts” section for additional details.

TDS Telecom Highlights

Three Months Ended September 30,
(Unaudited, dollars in thousands)

| | 2011 | 2010 | Increase (Decrease) | |
|---|------------|------------|---------------------|---------|
| | | | Amount | Percent |
| Local Telephone Operations | | | | |
| Operating revenues | | | | |
| Voice | \$ 42,725 | \$ 45,363 | \$ (2,638) | (6%) |
| Data | 47,905 | 32,473 | 15,432 | 48% |
| Network access | 67,927 | 69,032 | (1,105) | (2%) |
| Miscellaneous | 9,730 | 10,518 | (788) | (7%) |
| | 168,287 | 157,386 | 10,901 | 7% |
| Operating expenses | | | | |
| Cost of services and products | 59,528 | 51,820 | 7,708 | 15% |
| Selling, general and administrative expenses | 43,388 | 43,195 | 193 | — |
| Depreciation, amortization and accretion | 40,085 | 37,528 | 2,557 | 7% |
| Loss on asset disposals, net | 225 | 312 | (87) | (28%) |
| | 143,226 | 132,855 | 10,371 | 8% |
| Operating income | \$ 25,061 | \$ 24,531 | \$ 530 | 2% |
| Competitive Local Exchange Carrier Operations | | | | |
| Revenues | \$ 45,011 | \$ 47,038 | \$ (2,027) | (4%) |
| Expenses (excluding Depreciation, amortization and accretion) | 39,177 | 40,791 | (1,614) | (4%) |
| Depreciation, amortization and accretion | 5,597 | 6,117 | (520) | (9%) |
| Loss on asset disposals, net | 112 | 78 | 34 | 44% |
| | 44,886 | 46,986 | (2,100) | (4%) |
| Operating income | \$ 125 | \$ 52 | \$ 73 | >100% |
| Intercompany revenues | \$ (2,492) | \$ (2,394) | \$ (98) | (4%) |
| Intercompany expenses | (2,492) | (2,394) | (98) | (4%) |
| Total TDS Telecom operating income | \$ 25,186 | \$ 24,583 | \$ 603 | 2% |

TDS Telecom Highlights

Nine Months Ended September 30,
(Unaudited, dollars in thousands)

| | 2011 | 2010 | Increase (Decrease) | |
|---|-------------|-------------|----------------------------|----------------|
| | | | Amount | Percent |
| Local Telephone Operations | | | | |
| Operating revenues | | | | |
| Voice | \$ 128,811 | \$ 135,659 | \$ (6,848) | (5%) |
| Data | 121,055 | 92,764 | 28,291 | 30% |
| Network access | 200,419 | 203,925 | (3,506) | (2%) |
| Miscellaneous | 29,824 | 29,452 | 372 | 1% |
| | 480,109 | 461,800 | 18,309 | 4% |
| Operating expenses | | | | |
| Cost of services and products | 157,051 | 147,614 | 9,437 | 6% |
| Selling, general and administrative expenses | 124,178 | 129,099 | (4,921) | (4%) |
| Depreciation, amortization and accretion | 117,836 | 111,433 | 6,403 | 6% |
| Loss on asset disposals, net | 568 | 344 | 224 | 65% |
| | 399,633 | 388,490 | 11,143 | 3% |
| Operating income | \$ 80,476 | \$ 73,310 | \$ 7,166 | 10% |
| Competitive Local Exchange Carrier Operations | | | | |
| Revenues | \$ 135,935 | \$ 142,106 | \$ (6,171) | (4%) |
| Expenses (excluding Depreciation, amortization and accretion) | 116,413 | 121,294 | (4,881) | (4%) |
| Depreciation, amortization and accretion | 16,526 | 18,784 | (2,258) | (12%) |
| Loss on asset disposals, net | 190 | 323 | (133) | (41%) |
| | 133,129 | 140,401 | (7,272) | (5%) |
| Operating income | \$ 2,806 | \$ 1,705 | \$ 1,101 | 65% |
| Intercompany revenues | \$ (7,426) | \$ (7,165) | \$ (261) | (4%) |
| Intercompany expenses | (7,426) | (7,165) | (261) | (4%) |
| Total TDS Telecom operating income | \$ 83,282 | \$ 75,015 | \$ 8,267 | 11% |

Telephone and Data Systems, Inc.
Financial Measures and Reconciliation
(Unaudited, dollars in thousands)

| Three Months Ended September 30, 2011 | U.S. Cellular | TDS Telecom (1) | All Other (2) | Consolidated Total |
|--|---------------------------|-------------------------------|----------------------|-----------------------------------|
| Operating revenues | \$ 1,110,439 | \$ 210,806 | \$ 4,178 | \$ 1,325,423 |
| Deduct: | | | | |
| U.S. Cellular equipment sales revenue | 73,830 | | | |
| Service revenues | 1,036,609 | | | |
| Operating income (loss) | 101,620 | 25,186 | 118 | 126,924 |
| Add (Deduct): | | | | |
| Depreciation, amortization and accretion | 141,664 | 45,682 | 2,693 | 190,039 |
| Loss on impairment of intangible assets | — | — | — | — |
| (Gain) loss on asset disposals and exchanges | (9,700) | 337 | 12 | (9,351) |
| Adjusted OIBDA (3) | \$ 233,584 | \$ 71,205 | \$ 2,823 | \$ 307,612 |
| Adjusted OIBDA margin (4) | 22.5% | 33.8% | | |
| | | | | |
| Three Months Ended September 30, 2010 | U.S. Cellular (6) | TDS Telecom (1) | All Other (2) | Consolidated Total (6) |
| Operating revenues | \$ 1,060,781 | \$ 202,030 | \$ 3,605 | \$ 1,266,416 |
| Deduct: | | | | |
| U.S. Cellular equipment sales revenue | 77,278 | | | |
| Service revenues | 983,503 | | | |
| Operating income (loss) | 61,359 | 24,583 | (1,255) | 84,687 |
| Add (Deduct): | | | | |
| Depreciation, amortization and accretion | 143,191 | 43,645 | 2,610 | 189,446 |
| Loss on impairment of intangible assets | — | — | — | — |
| (Gain) loss on asset disposals and exchanges | 1,981 | 390 | 7 | 2,378 |
| Adjusted OIBDA (3) | \$ 206,531 | \$ 68,618 | \$ 1,362 | \$ 276,511 |
| Adjusted OIBDA margin (4) | 21.0% | 34.0% | | |
| | | | | |
| | TDS Consolidated | | | |
| Three Months Ended September 30, Cash flows from operating activities | 2011 \$ 435,602 | 2010 (6) \$ 262,434 | | |

Deduct:

| | | |
|---------------------------|-------------------|------------------|
| Capital expenditures | 304,685 | 168,188 |
| Free cash flow (5) | \$ 130,917 | \$ 94,246 |

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Telephone and Data Systems, Inc.
Financial Measures and Reconciliation
(Unaudited, dollars in thousands)

| Nine Months Ended September 30, 2011 | U.S. Cellular | TDS Telecom (1) | All Other (2) | Consolidated Total |
|---|------------------------------|--------------------------------|--------------------------|---------------------------------------|
| Operating revenues | \$ 3,243,713 | \$ 608,618 | \$ 11,413 | \$ 3,863,744 |
| Deduct: | | | | |
| U.S. Cellular equipment sales revenue | 219,961 | | | |
| Service revenues | 3,023,752 | | | |
| Operating income (loss) | 264,464 | 83,282 | (4,594) | 343,152 |
| Add (Deduct): | | | | |
| Depreciation, amortization and accretion | 431,581 | 134,362 | 7,954 | 573,897 |
| Loss on impairment of intangible assets | — | — | — | — |
| (Gain) loss on asset disposals and exchanges | (5,741) | 758 | 13 | (4,970) |
| Adjusted OIBDA (3) | \$ 690,304 | \$ 218,402 | \$ 3,373 | \$ 912,079 |
| Adjusted OIBDA margin (4) | 22.8% | 35.9% | | |
| Nine Months Ended September 30, 2010 | U.S. Cellular (6) | TDS Telecom (1) | All Other (2) | Consolidated Total (6) |
| Operating revenues | \$ 3,114,531 | \$ 596,741 | \$ 9,798 | \$ 3,721,070 |
| Deduct: | | | | |
| U.S. Cellular equipment sales revenue | 193,444 | | | |
| Service revenues | 2,921,087 | | | |
| Operating income (loss) | 205,535 | 75,015 | (4,438) | 276,112 |
| Add (Deduct): | | | | |
| Depreciation, amortization and accretion | 427,831 | 130,217 | 7,997 | 566,045 |
| Loss on impairment of intangible assets | — | — | — | — |
| (Gain) loss on asset disposals and exchanges | 8,407 | 667 | (51) | 9,023 |
| Adjusted OIBDA (3) | \$ 641,773 | \$ 205,899 | \$ 3,508 | \$ 851,180 |
| Adjusted OIBDA margin (4) | 22.0% | 34.5% | | |
| | TDS Consolidated | | | |
| Nine Months Ended September 30, Cash flows from operating activities | 2011 \$ 973,265 | 2010 (6) \$ 764,780 | | |

Deduct:

| | | |
|---------------------------|-------------------|-------------------|
| Capital expenditures | 643,396 | 486,138 |
| Free cash flow (5) | \$ 329,869 | \$ 278,642 |

(1) Includes ILEC and CLEC intercompany eliminations.

(2) Consists of a non-reportable segment (Suttle-Straus), corporate operations and, intercompany eliminations between U.S. Cellular, TDS Telecom and corporate investments. Amounts in this column are presented only to reconcile to consolidated totals and may not otherwise be meaningful.

(3) Adjusted OIBDA 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. Adjusted OIBDA is defined as Operating income excluding the effects of: Depreciation, amortization and accretion (OIBDA); the net gain or loss on asset disposals and exchanges(if any); and the loss on impairment of assets (if any). This measure also may be commonly referred to by management as operating cash flow. This measure should not be confused with Cash flows from operating activities, which is a component of the Consolidated Statement of Cash flows. Adjusted OIBDA excludes the net gain or loss on asset disposals and exchanges and loss on impairment of assets, if any, in order to show operating results on a more comparable basis from period to period. TDS does not intend to imply that any of such amounts that are excluded are non-recurring, infrequent or unusual, and accordingly, they may be incurred in the future. 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.

(4) Adjusted OIBDA margin is defined as adjusted OIBDA divided by service revenues (U.S. Cellular) and operating revenues (TDS Telecom). Equipment revenues are excluded from the denominator of the U.S. Cellular calculation since equipment is generally sold at a net loss, and such net loss is included in adjusted OIBDA as a cost of earning service revenues for purposes of assessing business results. TDS believes that this calculation method is consistent with the method used by certain investors to assess U.S. Cellular's business results. Adjusted OIBDA margin may also be commonly referred to by management as operating cash flow margin.

(5) Free cash flow is defined as cash flows from operating activities minus capital expenditures. Free cash flow is a non-GAAP financial measure. TDS believes that free cash flow as reported by TDS may be useful to investors and other users of its financial information in evaluating the amount of cash generated by business operations, after consideration of capital expenditures.

(6) Amounts have been adjusted. See "Revision of Prior Period Amounts" section for additional details.

Revision of Prior Period Amounts

In preparing its financial statements for the nine months ended September 30, 2011, TDS discovered certain errors related to accounting for asset retirement obligations and asset retirement costs. These errors resulted in the overstatement of Total operating expenses, Property, plant and equipment, net and Other deferred liabilities and credits for the first and second quarter 2011 interim financial statements and in the 2010, 2009 and 2008 annual periods reported in the Company's December 31, 2010 financial statements. The beginning retained earnings balance presented in the December 31, 2010 annual financial statements was also understated as a result of these errors. In accordance with *SEC Staff Accounting Bulletin Nos. 99 and 108* ("SAB 99 and SAB 108"), TDS evaluated these errors and determined that they were immaterial to each of the reporting periods affected and, therefore, amendments of previously filed reports were not required. However, if the adjustments to correct the cumulative errors had been recorded in the third quarter 2011, TDS believes the impact would have been significant to the third quarter results and would have impacted comparisons to prior periods. As permitted by SAB 108, revisions for these immaterial amounts to previously reported annual and quarterly results are reflected in the financial information herein and will be reflected in future filings containing such financial information. In addition, TDS has recorded adjustments to prior-year amounts to correct other immaterial items.

The Consolidated Balance Sheet at December 31, 2010 was revised to reflect the cumulative effect of these errors which resulted in an increase to Retained earnings of \$4.0 million. In accordance with SAB 108, the Consolidated Balance Sheet, Consolidated Statement of Operations and the Consolidated Statement of Cash Flows have been revised as follows:

Consolidated Balance Sheet -- December 31, 2010

| (Dollars in thousands) | As previously reported | Adjustment | Revised |
|--|---------------------------------------|-------------------|----------------|
| | (1) | | |
| Income taxes receivable | \$ 64,386 | \$ 599 | \$ 64,985 |
| Total current assets | 1,596,076 | 599 | 1,596,675 |
| Property, plant and equipment, net | 3,558,334 | (40,550) | 3,517,784 |
| Total assets | 7,762,519 | (39,951) | 7,722,568 |
| Accrued interest | 2,718 | 1,590 | 4,308 |
| Total current liabilities | 810,633 | 1,590 | 812,223 |
| Net deferred income tax liability | 585,468 | 3,624 | 589,092 |
| Other deferred liabilities and credits | 404,892 | (50,094) | 354,798 |
| Retained earnings | 2,446,626 | 3,973 | 2,450,599 |
| Total TDS shareholders' equity | 3,813,922 | 3,973 | 3,817,895 |
| Noncontrolling interests | 646,057 | 956 | 647,013 |
| Total equity | 4,460,809 | 4,929 | 4,465,738 |
| Total liabilities and equity | 7,762,519 | (39,951) | 7,722,568 |

Consolidated Statement of Operations -- Three Months Ended September 30, 2010

As
previously

| (Dollars in thousands) | reported (2) | Adjustment | Revised |
|--|------------------|----------------|------------------|
| Depreciation, amortization and accretion | \$ 190,972 | \$ (1,526) | \$ 189,446 |
| Total operating expenses | 1,183,255 | (1,526) | 1,181,729 |
| Operating income | 83,161 | 1,526 | 84,687 |
| Income before income taxes | 81,358 | 1,526 | 82,884 |
| Income tax expense | 28,775 | 579 | 29,354 |
| Net income | 52,583 | 947 | 53,530 |
| Net income attributable to noncontrolling interests, net of tax | (11,958) | (153) | (12,111) |
| Net income attributable to TDS shareholders | 40,625 | 794 | 41,419 |
| Net income available to common shareholders | 40,613 | 794 | 41,407 |
| Basic earnings per share attributable to TDS shareholders | 0.39 | — | 0.39 |
| Diluted earnings per share attributable to TDS shareholders | 0.38 | 0.01 | 0.39 |

Consolidated Statement of Operations -- Nine Months Ended September 30, 2010

| (Dollars in thousands) | As previously reported (2) | Adjustment | Revised |
|--|-------------------------------------|----------------|------------------|
| Depreciation, amortization and accretion | \$ 570,619 | \$ (4,574) | \$ 566,045 |
| Total operating expenses | 3,449,532 | (4,574) | 3,444,958 |
| Operating income | 271,538 | 4,574 | 276,112 |
| Income before income taxes | 265,408 | 4,574 | 269,982 |
| Income tax expense | 98,167 | 1,737 | 99,904 |
| Net income | 167,241 | 2,837 | 170,078 |
| Net income attributable to noncontrolling interests, net of tax | (37,915) | (458) | (38,373) |
| Net income attributable to TDS shareholders | 129,326 | 2,379 | 131,705 |
| Net income available to common shareholders | 129,289 | 2,379 | 131,668 |
| Basic earnings per share attributable to TDS shareholders | 1.23 | 0.02 | 1.25 |
| Diluted earnings per share attributable to TDS shareholders | 1.22 | 0.02 | 1.24 |

Consolidated Statement of Cash Flows -- Nine Months Ended September 30, 2010

| (Dollars in thousands) | As previously reported (2) | Adjustment | Revised |
|---|-------------------------------------|------------|----------------|
| Net income | \$ 167,241 | \$ 2,837 | \$ 170,157 |
| Depreciation, amortization and accretion | 570,619 | (4,574) | 566,045 |
| Deferred income taxes, net | 55,102 | 1,737 | 56,839 |
| Cash flows from operating activities | 764,780 | — | 764,780 |

-
- (1) In Annual Report on Form 10-K for the year ended December 31, 2010, filed on February 25, 2011.
 - (2) In Quarterly Report on Form 10-Q for the period ended September 30, 2010, filed on November 4, 2010.