

TELEPHONE & DATA SYSTEMS INC /DE/  
 Form DEFA14A  
 May 02, 2014

<b>UNITED STATES</b>	
<b>SECURITIES AND EXCHANGE COMMISSION</b>	
<b>Washington, D.C. 20549</b>	
<b>SCHEDULE 14A</b>	
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. )	
Filed by the Registrant <input checked="" type="checkbox"/>	
Filed by a Party other than the Registrant <input type="checkbox"/>	
Check the appropriate box:	
<input type="checkbox"/>	Preliminary Proxy Statement
<input type="checkbox"/>	<b>Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))</b>
<input type="checkbox"/>	Definitive Proxy Statement
<input checked="" type="checkbox"/>	Definitive Additional Materials
<input type="checkbox"/>	Soliciting Material Pursuant to §240.14a-12
<b>Telephone and Data Systems, Inc.</b>	
<b>(Name of Registrant as Specified In Its Charter)</b>	
<b>(Name of Person(s) Filing Proxy Statement, If other than the Registrant)</b>	
Payment of Filing Fee (Check the appropriate box):	
<input checked="" type="checkbox"/>	No fee required.
<input type="checkbox"/>	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:
<input type="checkbox"/>	Fee paid previously with preliminary materials.
<input type="checkbox"/>	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
	(1) Amount Previously Paid:

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		(2)	Form, Schedule or Registration Statement No.:
		(3)	Filing Party:
		(4)	Date Filed:

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EXPLANATORY NOTE

The purpose of this Schedule 14A is to file a press release issued by Telephone and Data Systems, Inc. (“TDS”) on May 2, 2014 relating to earnings for the first quarter of 2014.

**IMPORTANT INFORMATION:** TDS and its directors, executive officers and other members of its management and employees may be deemed to be participants in the solicitation of proxies from the shareholders of TDS in connection with the TDS 2014 annual meeting of shareholders. Information regarding TDS directors and executive officers and other participants that may be soliciting proxies on behalf of the TDS board of directors and their respective interests in TDS by security holdings or otherwise is set forth in TDS’s definitive proxy statement relating to its 2014 annual meeting, as filed with the Securities and Exchange Commission (“SEC”) on April 18, 2014. The 2014 proxy statement, other solicitation material and other reports that TDS files with the SEC, when available, can be obtained free of charge at the SEC’s web site at [www.sec.gov](http://www.sec.gov) or from TDS as provided on its website at [www.teldta.com](http://www.teldta.com). **TDS SHAREHOLDERS ARE ADVISED TO READ CAREFULLY THE PROXY STATEMENT AND OTHER SOLICITATION MATERIAL FILED BY TDS IN CONNECTION WITH THE TDS 2014 ANNUAL MEETING OF SHAREHOLDERS BEFORE MAKING ANY VOTING DECISION BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION RELATING TO THE ELECTION OF DIRECTORS OF TDS.**

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**Exhibit 99.1 NEWS RELEASE**

**As previously announced, TDS will hold a teleconference May 2, 2014 at 9:30 a.m. CDT. Interested parties may listen to the call live via the Events & Presentations page of [investors.teldta.com](http://investors.teldta.com).**

**FOR IMMEDIATE RELEASE**

**TDS reports first quarter 2014 results**

CHICAGO, (May 2, 2014) — Telephone and Data Systems, Inc. (NYSE:TDS) reported operating revenues of \$1,196.0 million for the first quarter of 2014, versus \$1,308.6 million for the comparable period one year ago. Net income attributable to TDS shareholders and related diluted earnings per share were \$18.3 million and \$0.16 respectively, for the first quarter of 2014, compared to \$1.4 million and \$0.01, respectively, in the comparable period one year ago.

Year-over-year comparisons are affected by U.S. Cellular's divestiture transaction, the deconsolidation of certain U.S. Cellular partnerships, and acquisitions at TDS Telecom, in 2013.

"Our businesses made significant progress in the quarter to execute on their customer strategies and improve operating efficiency," said LeRoy T. Carlson, Jr., TDS president and CEO. "While we have considerable work to do to improve our financial and operating performance, I believe we're focused on the right areas.

"U.S. Cellular continues to attract new customers and drive smartphone adoption and data use, leading to higher average revenue per customer. Substantial progress has been made to restore high standards of service following the billing system conversion, and U.S. Cellular has already leveraged the system to deliver new services like our Shared

Connect Plans and no contract Simple Connect Plans.

“TDS Telecom increased average revenue per customer for both residential and commercial wireline customers, with higher-tier TDS TV packages and faster broadband speeds, and new *managed*IP plans. We also continued to improve the overall efficiency of the wireline business. Revenues increased 77 percent at OneNeck IT Solutions, our hosted and managed services business, driven by revenues from acquisitions and increased revenues for recurring services.

“As we continued to execute our integration and customer strategies for Baja Broadband, we also agreed to acquire Bend Broadband, a premier cable and broadband provider to residential and business customers in Central Oregon. BendBroadband’s high-capacity, all-digital network, technology leadership, and customer-centered approach will be tremendous assets as we develop a premier cable broadband business.”

**2014 Estimated Results**

U.S. Cellular capital expenditures for 2014 are expected to be approximately \$640 million, down from \$738 million in 2013.

TDS Telecom estimates for full-year 2014 results are shown below. Such estimates represent management's view as of May 2, 2014. Such forward-looking statements should not be assumed to be current as of any future date. 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 such estimated results.

		<b>TDS Telecom 2014 Estimated Results (1)</b>		
		<b>Current</b>		<b>Previous</b>
<b>(Dollars in millions)</b>				
Operating revenues		\$1,050-\$1,100		Unchanged
Adjusted income before income taxes (2)		\$250-\$280		Unchanged
Capital expenditures		\$200		Unchanged

(1) These estimates do not reflect the effects of the acquisition of BendBroadband.

(2) Adjusted income before income taxes is defined as income before income taxes, adjusted for the items set forth in the reconciliation below. Adjusted income before income taxes excludes these items in order to show operating results on a more comparable basis from period to period. In addition, TDS may exclude other items from adjusted income before income taxes if such items help reflect operating results on a more comparable basis. TDS does not intend to imply that any such amounts that are excluded are non-recurring, infrequent or unusual; such amounts may occur in the future. Adjusted income before income taxes is not a measure of financial performance under Generally Accepted Accounting Principles in the United States ("GAAP") and should not be considered as an alternative to income before income taxes as an indicator of the company's operating performance or as an alternative to cash flows from operating activities, determined in accordance with GAAP, as an indicator of cash flows or as a measure of liquidity. TDS believes adjusted income before income taxes is a useful measure of TDS' operating results before significant recurring non-cash charges, discrete gains and losses, and financing charges (interest expense). The following table provides a reconciliation of income before income taxes to adjusted income before income taxes for 2014 estimated results, three months ended March 31, 2014, and 2013 actual results:

		<b>TDS Telecom</b>			
			<b>Actual Results</b>		
		<b>2014 Estimated Results</b>	<b>Three Months Ended</b>		<b>Year Ended</b>

			<b>March 31, 2014</b>		<b>December 31, 2013</b>
<b>(Dollars in millions)</b>					
Income before income taxes	\$25-\$55		\$19		\$49
Depreciation, amortization and accretion expense	\$225		\$54		\$203
(Gain) loss on investments					(\$1)
Interest expense					(\$2)
Adjusted income before income taxes	\$250-\$280		\$73		\$249

**Stock repurchase summary**

TDS began repurchasing under its \$250 million repurchase authorization on Aug. 5, 2013. The following represents repurchases of TDS Common Shares.

Repurchase Period	# Shares	Cost (in millions)	
2014 (first quarter)	157,891	\$	3.8
2013 (full year)	338,851	\$	9.7
Total	496,742	\$	13.5

**Conference Call Information**

TDS will hold a conference call on May 2, 2014 at 9:30 a.m. CST.

- Access the live call on the Events & Presentations page of [investors.teldta.com](http://investors.teldta.com) or at <http://www.videonewswire.com/event.asp?id=99006>.
- 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 [investors.teldta.com](http://investors.teldta.com). The call will be archived on the Events & Presentations page of [investors.teldta.com](http://investors.teldta.com).

**About TDS**

Telephone and Data Systems, Inc. (TDS), a Fortune 500® company, provides wireless; cable and wireline broadband, TV and voice; and hosted and managed services to approximately 5.8 million customers nationwide through its business units, U.S. Cellular, TDS Telecom, OneNeck IT Solutions and Baja Broadband. Founded in 1969 and headquartered in Chicago, TDS employed 10,600 people as of March 31, 2014.

Visit [www.teldta.com](http://www.teldta.com) for comprehensive financial information, including earnings releases, quarterly and annual filings, shareholder information and more.

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***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: impacts of any pending acquisition and divestiture transactions, including, but not limited to, the ability to obtain regulatory approvals, successfully complete the transactions and the financial impacts of such transactions; the ability of the company to successfully manage and 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 on acceptable terms; 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; changes in customer growth rates, average monthly revenue per user, 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 Current Report used by TDS to furnish this press release to the Securities and Exchange Commission ("SEC"), which are incorporated by reference herein.

For more information about TDS and its subsidiaries, visit:

TDS: [www.teldta.com](http://www.teldta.com)

U.S. Cellular: [www.uscellular.com](http://www.uscellular.com)

TDS Telecom: [www.tdstelecom.com](http://www.tdstelecom.com)

OneNeck IT Solutions: [www.oneneck.com](http://www.oneneck.com)



United States Cellular Corporation										
Total Markets* Summary Operating Data (Unaudited)										
As of or for the Quarter Ended		3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013				
<b>Retail Customers</b>										
<b>Postpaid</b>										
	Total at end of period	4,174,000	4,267,000	4,343,000	4,412,000	5,060,000				
	Gross additions	197,000	176,000	165,000	165,000	191,000				
	Net additions (losses)	(93,000)	(71,000)	(60,000)	(120,000)	(74,000)				
	ARPU (1)	\$ 57.59	\$ 53.53	\$ 54.64	\$ 54.18	\$ 54.85				
	Churn rate (2)	2.3%	1.9%	1.7%	2.0%	1.7%				
	Smartphone penetration (3) (4)	53.1%	50.8%	47.1%	45.5%	43.5%				
<b>Prepaid</b>										
	Total at end of period	356,000	343,000	370,000	381,000	446,000				
	Gross additions	85,000	63,000	65,000	77,000	104,000				
	Net additions (losses)	13,000	(26,000)	(11,000)	(7,000)	23,000				
	ARPU (1)	\$ 32.22	\$ 31.66	\$ 28.72	\$ 31.69	\$ 33.31				
	Churn rate (2)	6.9%	8.3%	6.8%	6.8%	6.2%				
<b>Total customers at end of period</b>		4,684,000	4,774,000	4,875,000	4,968,000	5,736,000				
<b>Billed ARPU (1)</b>		\$ 53.93	\$ 50.25	\$ 50.92	\$ 50.60	\$ 51.13				
<b>Service revenue ARPU (1)</b>		\$ 60.19	\$ 57.05	\$ 58.36	\$ 57.45	\$ 57.63				
<b>Smartphones sold as a percent of total devices sold</b>		73.0%	79.6%	65.2%	66.0%	61.7%				
<b>Total population</b>										
	Consolidated markets (5)	54,817,000	58,013,000	84,025,000	84,025,000	93,943,000				
	Consolidated operating markets (5)	31,729,000	31,759,000	31,822,000	31,822,000	47,440,000				
<b>Market penetration at end of period</b>		8.5%	8.2%	5.8%	5.9%	6.1%				

	Consolidated markets (6)												
	Consolidated operating markets (6)		14.8%		15.0%		15.3%		15.6%				12.1%
<b>Capital expenditures (000s)</b>		\$	89,581	\$	208,135	\$	242,459	\$	168,497	\$			118,410
<b>Total cell sites in service</b>			6,165		6,975		7,687		7,748				8,027
<b>Owned towers</b>			4,448		4,448		4,422		4,411				4,411

\* Represents U.S. Cellular's consolidated markets. These results include markets which U. S. Cellular currently consolidates, or previously consolidated in the periods presented, and is not adjusted in prior periods for subsequent divestitures or deconsolidations.

Refer to U.S. Cellular's Form 8-K filed on May 3, 2013 for pro forma financial information related to the Divestiture Transaction and the NY1 and NY2 Deconsolidation for the three months ended March 31, 2013, as if the transactions had occurred at the beginning of the period.

United States Cellular Corporation										
Core* Markets Summary Operating Data (Unaudited)										
As of or for the Quarter Ended		3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013				
<b>Retail Customers</b>										
<b>Postpaid</b>										
	Total at end of period	4,174,000	4,267,000	4,343,000	4,412,000	4,463,000				
	Gross additions	197,000	176,000	165,000	165,000	176,000				
	Net additions (losses)	(93,000)	(71,000)	(60,000)	(53,000)	(33,000)				
	ARPU (1)	\$ 57.59	\$ 53.53	\$ 54.64	\$ 54.44	\$ 54.21				
	Churn rate (2)	2.3%	1.9%	1.7%	1.6%	1.6%				
	Smartphone penetration (3) (4)	53.1%	50.8%	47.1%	45.5%	43.0%				
<b>Prepaid</b>										
	Total at end of period	356,000	343,000	370,000	381,000	373,000				
	Gross additions	85,000	63,000	65,000	76,000	91,000				
	Net additions (losses)	13,000	(26,000)	(11,000)	8,000	31,000				
	ARPU (1)	\$ 32.22	\$ 31.66	\$ 28.72	\$ 31.65	\$ 32.92				
	Churn rate (2)	6.9%	8.3%	6.8%	6.0%	5.6%				
<b>Total customers at end of period</b>		4,684,000	4,774,000	4,875,000	4,968,000	5,005,000				
<b>Billed ARPU (1)</b>		\$ 53.93	\$ 50.25	\$ 50.92	\$ 50.98	\$ 50.93				
<b>Service revenue ARPU (1)</b>		\$ 60.19	\$ 57.05	\$ 58.36	\$ 57.88	\$ 57.14				
<b>Smartphones sold as a percent of total devices sold</b>		73.0%	79.6%	65.2%	66.1%	62.1%				
<b>Total population</b>										
	Consolidated markets (5)	54,817,000	58,013,000	84,025,000	84,025,000	84,025,000				
	Consolidated operating markets (5)	31,729,000	31,759,000	31,822,000	31,822,000	31,822,000				
<b>Market penetration at end of period</b>		8.5%	8.2%	5.8%	5.9%	6.0%				

	Consolidated markets (6)												
	Consolidated operating markets (6)		14.8%		15.0%		15.3%		15.6%				15.7%
<b>Capital expenditures (000s)</b>		\$	89,581	\$	211,247	\$	239,332	\$	171,166	\$			107,907
<b>Total cell sites in service</b>			6,165		6,161		6,127		6,113				6,113
<b>Owned towers</b>			3,883		3,883		3,857		3,846				3,846

\* U.S. Cellular's Core Markets excludes the results of the Divestiture Markets and NY1 and NY2 Partnerships for the periods presented.

Refer to U.S. Cellular's Form 8-K filed on May 3, 2013 for pro forma financial information related to the Divestiture Transaction and the NY1 and NY2 Deconsolidation for the three months ended March 31, 2013, as if the transactions had occurred at the beginning of the period.

- (1) ARPU metrics are calculated by dividing a revenue base by an average number of customers by the number of months in the period. These revenue bases and customer populations are shown below:
- a. Postpaid ARPU consists of total postpaid service revenues and postpaid customers.
  - b. Prepaid ARPU consists of total prepaid service revenues and prepaid customers.
  - c. Billed ARPU consists of total postpaid, prepaid and reseller service revenues and postpaid, prepaid and reseller customers.
  - d. Service revenue ARPU consists of total retail service revenues, inbound roaming and other service revenues and postpaid, prepaid and reseller customers.
- (2) Churn metrics represent the percentage of the postpaid or prepaid customers that disconnect service each month. These metrics represent the average monthly postpaid or prepaid churn rate for each respective period.
- (3) Smartphones represent wireless devices which run on an Android, Apple, BlackBerry or Windows Mobile operating system, excluding tablets.
- (4) Smartphone penetration is calculated by dividing postpaid smartphone customers by total postpaid customers.
- (5) Used only to calculate market penetration of consolidated markets and consolidated operating markets, respectively. See footnote (6) below.
- (6) 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.



TDS Telecom									
Summary Operating Data (Unaudited)									
Quarter Ended		3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013			
<b>TDS Telecom</b>									
<b>Wireline</b>									
<b>Residential connections</b>									
	Voice (1)	348,700	352,100	358,100	364,100	368,600			
	Broadband (2)	229,000	227,000	229,500	231,700	229,500			
	IPTV (3)	15,900	13,800	12,200	10,500	9,000			
	Wireline residential connections	593,600	592,900	599,800	606,300	607,100			
<b>Commercial connections</b>									
	Voice (1)	212,200	218,400	223,800	229,100	235,700			
	Broadband (2)	26,600	27,100	27,600	28,200	28,800			
	<i>managed</i> IP (4)	131,000	127,600	121,000	112,000	103,400			
	Wireline commercial connections	369,800	373,100	372,400	369,300	367,900			
	<b>Total Wireline connections</b>	963,400	966,000	972,200	975,600	975,000			
	Total residential revenue per connection (5)	\$ 40.79	\$ 40.93	\$ 41.12	\$ 40.10	\$ 39.99			
<b>Cable</b>									
<b>Cable Connections</b>									
	Video (6)	68,700	69,100	70,300					
	Broadband (7)	63,000	61,000	59,800					
	Voice (7)	17,700	17,200	16,800					
	Cable connections	149,400	147,300	146,900					
	Total residential revenue per connection (5)	\$ 57.37	\$ 55.27	\$ 55.67					

(1) The individual circuit connecting a customer to TDS Telecom's central office facilities.



- (2) The number of customers provided high-capacity data circuits via various technologies, including DSL and dedicated internet circuit technologies.
- (3) The number of customers provided video services using IP networking technology.
- (4) The number of telephone handsets, data lines and IP trunks providing communications using IP networking technology.
- (5) Total residential revenue divided by the average number of total residential connections.
- (6) Generally, a home or business receiving video programming counts as one video connection. In counting bulk residential or commercial connections, such as an apartment building or hotel, connections are counted based on the number of units/rooms within the building receiving service.
- (7) Broadband and voice connections reflect billable number of lines into a building for high speed data and voice services, respectively.

TDS Telecom										
Capital Expenditures (000s)										
Quarter Ended	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013					
Wireline	\$ 22,900	\$ 46,000	\$ 32,800	\$ 33,300	\$ 27,900					
Cable	6,200	7,000	1,400	-	-					
HMS	2,800	9,200	2,400	2,300	2,600					
	\$ 31,900	\$ 62,200	\$ 36,600	\$ 35,600	\$ 30,500					

Telephone and Data Systems, Inc.										
Consolidated Statement of Operations Highlights										
Three Months Ended March 31,										
(Unaudited, dollars and shares in thousands, except per share amounts)										
				2014		2013		Change		
								Amount	Percent	
<b>Operating revenues</b>										
	U.S. Cellular			\$	925,811	\$	1,081,746	\$	(155,935)	(14%)
	TDS Telecom				262,416		217,061		45,355	21%
	All Other (1)				7,735		9,766		(2,031)	(21%)
					1,195,962		1,308,573		(112,611)	(9%)
<b>Operating expenses</b>										
	U.S. Cellular									
	Expenses excluding depreciation, amortization and accretion				846,645		878,070		(31,425)	(4%)
	Depreciation, amortization and accretion				167,753		189,845		(22,092)	(12%)
	(Gain) loss on asset disposals, net				1,934		5,434		(3,500)	(64%)
	(Gain) loss on sale of business and other exit costs, net				(6,900)		6,931		(13,831)	>(100%)
	(Gain) loss on license sales and exchanges				(91,446)		—		(91,446)	N/M
					917,986		1,080,280		(162,294)	(15%)
	TDS Telecom									
	Expenses excluding depreciation, amortization and accretion				190,303		159,486		30,817	19%
	Depreciation, amortization and accretion				53,775		49,491		4,284	9%
	(Gain) loss on asset disposals, net				344		193		151	78%
					244,422		209,170		35,252	17%
	All Other (1)									
	Expenses excluding depreciation and amortization				9,326		9,239		87	1%
	Depreciation and amortization				3,391		2,741		650	24%
	(Gain) loss on asset disposals, net				152		(11)		163	>(100%)
					12,869		11,969		900	8%

		Total operating expenses	1,175,277		1,301,419		(126,142)		(10%)
<b>Operating income (loss)</b>									
		U.S. Cellular	7,825		1,466		6,359		>100%
		TDS Telecom	17,994		7,891		10,103		>100%
		All Other (1)	(5,134)		(2,203)		(2,931)		>(100%)
			20,685		7,154		13,531		>100%
<b>Investment and other income (expense)</b>									
		Equity in earnings of unconsolidated entities	37,327		27,089		10,238		38%
		Interest and dividend income	2,486		1,578		908		58%
		Interest expense	(28,707)		(24,498)		(4,209)		(17%)
		Other, net	160		(154)		314		>(100%)
		Total investment and other income	11,266		4,015		7,251		>100%
<b>Income before income taxes</b>									
		Income tax expense	11,657		4,180		7,477		>100%
<b>Net income</b>									
		Less: Net income attributable to noncontrolling interests, net of tax	2,040		5,570		(3,530)		(63%)
<b>Net income attributable to TDS shareholders</b>									
		TDS Preferred dividend requirement	(12)		(12)				
<b>Net income available to common shareholders</b>									
			\$ 18,242		\$ 1,407		\$ 16,835		>100%
<b>Basic weighted average shares outstanding</b>									
			108,988		108,255		733		1%
<b>Basic earnings per share attributable to TDS shareholders</b>									
			\$ 0.17		\$ 0.01		\$ 0.16		>100%
<b>Diluted weighted average shares outstanding</b>									
			109,672		108,693		979		1%
<b>Diluted earnings per share attributable to TDS shareholders</b>									
			\$ 0.16		\$ 0.01		\$ 0.15		>100%

(1) Consists of Non-Reportable Segment, corporate operations and intercompany eliminations between U.S. Cellular, TDS Telecom, the Non-Reportable Segment and corporate operations.

N/M – Percentage change not meaningful



<b>Telephone and Data Systems, Inc.</b>					
<b>Consolidated Balance Sheet Highlights</b>					
(Unaudited, dollars in thousands)					
<b>ASSETS</b>					
		March 31,		December 31,	
		2014		2013	
<b>Current assets</b>					
	Cash and cash equivalents	\$	872,910	\$	830,014
	Short-term investments		40,056		50,104
	Accounts receivable from customers and others		615,009		731,114
	Inventory, net		224,904		244,560
	Net deferred income tax asset		106,077		106,077
	Prepaid expenses		89,344		87,920
	Income taxes receivable		5,679		2,397
	Other current assets		35,154		35,151
			1,989,133		2,087,337
<b>Assets held for sale</b>					
			—		16,027
<b>Investments</b>					
	Licenses		1,448,598		1,423,779
	Goodwill		836,843		836,843
	Franchise rights		123,668		123,668
	Other intangible assets, net		66,439		71,454
	Investments in unconsolidated entities		326,279		301,772
	Other investments		611		641
			2,802,438		2,758,157
<b>Property, plant and equipment, net</b>					
	U.S. Cellular		2,776,220		2,856,520
	TDS Telecom		967,847		984,634
	Other		35,066		36,990
			3,779,133		3,878,144
<b>Other assets and deferred charges</b>					
			178,599		164,482
<b>Total assets</b>					
		\$	8,749,303	\$	8,904,147



<b>Telephone and Data Systems, Inc.</b>							
<b>Consolidated Balance Sheet Highlights</b>							
(Unaudited, dollars in thousands)							
<b>LIABILITIES AND EQUITY</b>							
				March 31,	December 31,		
				2014	2013		
<b>Current liabilities</b>							
		Current portion of long-term debt	\$	1,415	\$	1,646	
		Accounts payable		414,015		496,069	
		Customer deposits and deferred revenues		287,999		289,445	
		Accrued interest		15,757		6,673	
		Accrued taxes		72,761		70,518	
		Accrued compensation		65,486		115,031	
		Other current liabilities		167,746		212,374	
				1,025,179		1,191,756	
<b>Deferred liabilities and credits</b>							
		Net deferred income tax liability		847,850		862,975	
		Other deferred liabilities and credits		477,305		458,709	
<b>Long-term debt</b>				1,720,031		1,720,074	
<b>Noncontrolling interests with redemption features</b>				543		536	
<b>Equity</b>							
	TDS shareholders' equity						
		Series A Common and Common Shares, par value \$ .01		1,327		1,327	
		Capital in excess of par value		2,313,682		2,308,807	
		Treasury shares, at cost		(722,658)		(721,354)	
		Accumulated other comprehensive loss		(938)		(569)	
		Retained earnings		2,533,298		2,529,626	
		Total TDS shareholders' equity		4,124,711		4,117,837	
		Preferred shares		824		824	
		Noncontrolling interests		552,860		551,436	
		Total equity		4,678,395		4,670,097	

<b>Total liabilities and equity</b>				\$	8,749,303		\$	8,904,147



<b>Balance Sheet Highlights</b>										
<b>March 31, 2014</b>										
(Unaudited, dollars in thousands)										
		U.S.	TDS	TDS	Intercompany	TDS				
		Cellular	Telecom	& Other	Eliminations	Consolidated				
Cash and cash equivalents	\$	398,541	\$	84,120	\$	390,249	\$		\$	872,910
Affiliated cash investments				444,181				(444,181)		
Short-term investments		40,056								40,056
	\$	438,597	\$	528,301	\$	390,249	\$	(444,181)	\$	912,966
Licenses, goodwill and other intangible assets	\$	1,813,469	\$	792,606	\$	(130,527)	\$		\$	2,475,548
Investment in unconsolidated entities		289,842		3,807		39,771		(7,141)		326,279
Long-term and other investments				611						611
	\$	2,103,311	\$	797,024	\$	(90,756)	\$	(7,141)	\$	2,802,438
Property, plant and equipment, net	\$	2,776,220	\$	967,847	\$	35,066	\$		\$	3,779,133
Long-term debt:										
Current portion	\$	166	\$	73	\$	1,176	\$		\$	1,415
Non-current portion		878,127		1,420		840,484				1,720,031
	\$	878,293	\$	1,493	\$	841,660	\$		\$	1,721,446

**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 March 31, 2014 and December 31, 2013.

		<b>March 31,</b>		<b>December 31,</b>	
		<b>2014</b>		<b>2013</b>	
<b>Cash and cash equivalents</b>		\$	872,910	\$	830,014
<b>Amounts included in short-term investments (1) (2)</b>					
	U.S. Treasury Notes		40,056		50,104
<b>Total cash and cash equivalents and investments</b>		\$	912,966	\$	880,118

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

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

<b>Telephone and Data Systems, Inc.</b>							
<b>Consolidated Statement of Cash Flows</b>							
<b>Three Months Ended March 31,</b>							
<b>(Unaudited, dollars in thousands)</b>							
				<b>2014</b>	<b>2013</b>		
<b>Cash flows from operating activities</b>							
	Net income			\$	20,294	\$	6,989
	Add (deduct) adjustments to reconcile net income to net cash flows from operating activities						
			Depreciation, amortization and accretion		224,919		242,077
			Bad debts expense		21,559		17,874
			Stock-based compensation expense		6,759		7,585
			Deferred income taxes, net		(14,510)		3,009
			Equity in earnings of unconsolidated entities		(37,327)		(27,089)
			Distributions from unconsolidated entities		12,820		8,089
			(Gain) loss on asset disposals, net		2,430		5,616
			(Gain) loss on sale of business and other exit costs, net		(6,900)		6,931
			(Gain) loss on license sales and exchanges		(91,446)		
			Noncash interest expense		506		497
			Other operating activities		47		256
	Changes in assets and liabilities from operations						
			Accounts receivable		92,949		34,038
			Inventory		19,656		16,860
			Accounts payable		(53,403)		(3,203)
			Customer deposits and deferred revenues		(1,447)		7,904
			Accrued taxes		(1,634)		5,309
			Accrued interest		9,136		9,279
			Other assets and liabilities		(99,471)		(95,669)
					104,937		246,352
<b>Cash flows from investing activities</b>							
	Cash used for additions to property, plant and equipment				(150,890)		(176,318)
	Cash paid for acquisitions and licenses				(8,254)		(14,150)
	Cash received from divestitures				103,042		

	Cash received for investments		10,000			
	Other investing activities		1,623			6,364
			(44,479)			(184,104)
<b>Cash flows from financing activities</b>						
	Repayment of long-term debt		(392)			(328)
	TDS Common Shares reissued for benefit plans, net of tax payments		(50)			140
	U.S. Cellular Common Shares reissued for benefit plans, net of tax payments		316			123
	Repurchase of TDS Common Shares		(3,342)			
	Repurchase of U.S. Cellular Common Shares		(2,000)			(18,425)
	Dividends paid to TDS shareholders		(14,582)			(13,792)
	Distributions to noncontrolling interests		(346)			(2,396)
	Other financing activities		2,834			(1,351)
			(17,562)			(36,029)
<b>Net increase in cash and cash equivalents</b>			42,896			26,219
<b>Cash and cash equivalents</b>						
	Beginning of period		830,014			740,481
	End of period	\$	872,910		\$	766,700

<b>TDS Telecom Highlights</b>										
<b>Three Months Ended March 31,</b>										
<b>(Unaudited, dollars in thousands)</b>										
									<b>Change</b>	
				<b>2014</b>		<b>2013</b>		<b>Amount</b>		<b>Percent</b>
<b>Wireline</b>										
<b>Operating revenues</b>										
	Residential			\$ 72,505		\$ 73,004		\$ (499)		(1%)
	Commercial			57,980		57,125		855		1%
	Wholesale			46,448		50,549		(4,101)		(8%)
	Total service revenues			176,933		180,678		(3,745)		(2%)
	Equipment sales			553		897		(344)		(38%)
				177,486		181,575		(4,089)		(2%)
<b>Operating expenses</b>										
	Cost of services			64,400		66,439		(2,039)		(3%)
	Cost of equipment sold			483		1,010		(527)		(52%)
	Selling, general and administrative expenses			46,520		57,380		(10,860)		(19%)
	Depreciation, amortization and accretion			42,736		44,023		(1,287)		(3%)
	Loss on asset disposals, net			245		163		82		50%
				154,384		169,015		(14,631)		(9%)
	<b>Operating income</b>			\$ 23,102		\$ 12,560		\$ 10,542		84%
<b>Cable</b>										
<b>Operating revenues</b>										
	Residential			\$ 18,253		\$ —		\$ 18,253		N/M
	Commercial			4,250		—		4,250		N/M
				22,503		—		22,503		N/M
<b>Operating expenses</b>										
	Cost of services			10,955		—		10,955		N/M
	Selling, general and administrative expenses			6,378		—		6,378		N/M
	Depreciation, amortization and accretion			4,361		—		4,361		N/M
	Loss on asset disposals, net			65		—		65		N/M
				21,759		—		21,759		N/M
	<b>Operating income</b>			\$ 744		\$ —		\$ 744		N/M

<b>HMS</b>												
<b>Operating revenues</b>												
	Service revenues		\$	27,376		\$	22,000		\$	5,376		24%
	Equipment sales			35,732			13,564			22,168		>100%
				63,108			35,564			27,544		77%
<b>Operating expenses</b>												
	Cost of services			16,946			13,602			3,344		25%
	Cost of equipment sold			30,467			11,212			19,255		>100%
	Selling, general and administrative expenses			14,835			9,921			4,914		50%
	Depreciation, amortization and accretion			6,678			5,468			1,210		22%
	Loss on asset disposals, net			34			30			4		13%
				68,960			40,233			28,727		71%
	<b>Operating loss</b>		\$	(5,852)		\$	(4,669)		\$	(1,183)		(25%)
	Intercompany revenues		\$	(681)		\$	(78)		\$	(603)		>(100)%
	Intercompany expenses			(681)			(78)			(603)		>(100)%
	<b>Total TDS Telecom operating income</b>		\$	17,994		\$	7,891		\$	10,103		>100%



