Dolby Ray
Form 4
September 14, 2012

FORM 4

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

OMB APPROVAL	
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Dolby Ray

(Last) (First) (Middle)

C/O DOLBY LABORATORIES, INC., 100 POTRERO AVENUE

(Street)

SAN FRANCISCO, CA 94103-4813

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Dolby Laboratories, Inc. [DLB]

3. Date of Earliest Transaction (Month/Day/Year)
09/13/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Stock (1)	09/13/2012		C		10,000	A	$ 0	10,000	I	By Trust (3)
Class A Common Stock (1)	09/13/2012		C		20,000	A	$ 0	20,000	I	By Trust (4)
Class A Common Stock	09/13/2012		S		10,000	D	$ 34.7617 (8)	0	I	By Trust (3)
Class A Common	09/13/2012		S		20,000	D	$ 35.0016	0	I	By Trust (4)

Stock	(9)		
Class A Common Stock		100	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. P Deri Secu (Ins
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Class B Common Stock	(2)	09/13/2012		C			10,000	(2)	(2)	Class A Common Stock	10,000	
Class B Common Stock	(2)	09/13/2012		C			2,200	(2)	(2)	Class A Common Stock	20,000	
Class B Common Stock	(2)							(2)	(2)	Class A Common Stock	(2)	
Class B Common Stock	(2)							(2)	(2)	Class A Common Stock	(2)	
Class B Common Stock	(2)							(2)	(2)	Class A Common Stock	(2)	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
		X		

Dolby Ray
C/O DOLBY LABORATORIES, INC.
100 POTRERO AVENUE
SAN FRANCISCO, CA 94103-4813

Signatures

/s/ Patrick McCabe, Attorney-in-Fact	09/14/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each share of Class A Common Stock issued upon conversion of one share of Class B Common Stock at the election of the reporting person.

(2) Shares of Class B Common Stock are convertible at any time at the option of the holder into shares of Class A Common Stock on a 1-for-1 basis.

(3) Reflects shares of Class B Common Stock (convertible into a like number of shares of Class A Common Stock) held of record by Ray Dolby and Dagmar Dolby, as Trustees of the Ray Dolby 2002 Trust A dated April 19, 2002, voting power of which is held by Thomas E. Dolby, son of Ray Dolby, as Special Trustee of the Ray Dolby 2002 Trust A dated April 19, 2002. The reporting person disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

(4) Reflects shares of Class B Common Stock (convertible into a like number of shares of Class A Common Stock) held of record by Ray Dolby and Dagmar Dolby as Trustees of the Ray Dolby Trust under the Dolby Family Trust instrument, dated May 7, 1999. The reporting person disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

(5) Reflects shares of Class B Common Stock (convertible into a like number of shares of Class A Common Stock) held of record by Ray Dolby and Dagmar Dolby, as Trustees of the Ray Dolby 2011 Trust A, dated December 14, 2011. The reporting person disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

(6) Reflects shares of Class B Common Stock (convertible into a like number of shares of Class A Common Stock) held of record by Ray Dolby and Dagmar Dolby, as Trustees of the Ray Dolby 2011 Trust B, dated December 14, 2011. The reporting person disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

(7) Reflects shares of Class B Common Stock (convertible into a like number of shares of Class A Common Stock) held of record by Ray Dolby and Dagmar Dolby, as Trustees of the Ray Dolby 2002 Trust B dated April 19, 2002, voting power of which is held by David E. Dolby, son of Ray Dolby, as Special Trustee of the Ray Dolby 2002 Trust B dated April 19, 2002. The reporting person disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

(8) This transaction was executed in multiple trades at prices ranging from $34.37 to $35.03. The price reported above reflects the weighted average purchase price. The reporting person hereby undertakes to provide upon request to the Securites and Exchange Commission staff, the Issuer or a security holder of the Issuer full information regarding the number of shares and prices at which the transactions were effected.

(9) This transaction was executed in multiple trades at prices ranging from $35.00 to $35.05. The price reported above reflects the weighted average purchase price. The reporting person hereby undertakes to provide upon request to the Securites and Exchange Commission staff, the Issuer or a security holder of the Issuer full information regarding the number of shares and prices at which the transactions were effected.

Remarks:

All of the sales reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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1,023,857

Operating revenues

$

1,023,857

Explanation of Responses:

$
150,156

$
47,743

$
(2,394
)

$
195,505

$
10,142

$
(7,069
)

$
1,222,435

Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)

368,219

46,492

24,492

(2,231

)

68,753

8,033

(473

)

444,532

Selling, general and administrative expense

429,605

41,737

15,538

(163

)

57,112

1,696

(7,326

)

481,087

Explanation of Responses:

Adjusted OIBDA (3)

226,033

61,927

7,713

69,640

413

730

	296,816
Depreciation, amortization and accretion expense	
	143,233
	37,058
	6,365
	43,423
	533
	2,200

Explanation of Responses:

189,389

Loss on impairment of intangible assets

(Gain) loss on asset disposals, net

5,176

260

85

345

(93

)

3

5,431

Operating income (loss)

77,624

24,609

1,263

25,872

(27

)

(1,473

)

101,996

Total assets	
	5,759,036
	1,450,988
	120,894
	1,571,882

21,695

249,158

7,601,771

Capital expenditures

$

121,514

$

20,190

$

3,186

$

$

23,376

$	270
$	1,462
$	146,622

19

Table of Contents

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(1) Represents Suttle-Straus.

(2) Consists of corporate operations, intercompany eliminations between U.S. Cellular, TDS Telecom and corporate operations.

(3) Adjusted OIBDA is defined as operating income excluding the effects of: depreciation, amortization and accretion (OIBDA); the net gain or loss on asset disposals (if any); and the loss on impairment of assets (if any). 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. This amount may also be commonly referred to by management as operating cash flow. This amount 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 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. Accordingly you should be aware that TDS may incur such amounts in the future.

Table of Contents

14. Supplemental Cash Flow Disclosures

Following are supplemental cash flow disclosures regarding transactions related to stock-based compensation awards:

TDS:

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
(Dollars and shares in thousands)				
Common Shares withheld				
Special Common Shares withheld (1)		5		
Aggregate value of Common Shares withheld	$		$	
Aggregate value of Special Common Shares withheld		167		
Cash receipts upon exercise of stock options	$	647	$	463
Cash disbursements for payment of taxes (2)		(60)		
Net cash receipts from exercise of stock options and vesting of other stock awards	$	587	$	463

U.S. Cellular:

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
(Dollars and shares in thousands)				
Common Shares withheld (1)		14		18
Aggregate value of Common Shares withheld	$	675	$	753
Cash receipts upon exercise of stock options	$	1,396	$	538
Cash disbursements for payment of taxes (2)		(91)		(52)
Net cash receipts from exercise of stock options and vesting of other stock awards	$	1,305	$	486

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(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.

TDS declared and paid dividends of $12.2 million or $0.1175 per share during the three months ended March 31, 2011. TDS declared and paid dividends of $11.9 million or $0.1125 per share in the three months ended March 31, 2010.

15. Other Disclosures

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 $35.5 million and $38.2 million for the three months ended March 31, 2011 and 2010, respectively.

Table of Contents

Item 2. 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 6.0 million wireless customers and 1.1 million wireline equivalent access lines at March 31, 2011. TDS conducts substantially all of its wireless operations through its 83% 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 majority owned subsidiary, Suttle-Straus, Inc. which represents a small portion of TDS operations.

The following discussion and analysis should be read in conjunction with TDS interim consolidated financial statements and notes included in Item 1 above, and with the description of TDS business, its audited consolidated financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included in the TDS Annual Report on Form 10-K (Form 10-K) for the year ended December 31, 2010.

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 overview 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 approximately 6.0 million customers in five geographic market areas in 26 states. As of March 31, 2011, U.S. Cellular s average penetration rate in its consolidated operating markets was 12.9%. U.S. Cellular operates on a customer satisfaction strategy, striving to meet or exceed customer needs by providing a comprehensive range of wireless products and services, excellent customer support, and a high-quality network.

Financial and operating highlights in the three months ended March 31, 2011 included the following:

- Total customers were 6,033,000 at March 31, 2011, including 5,698,000 retail customers.

- On October 1, 2010, U.S. Cellular launched The Belief Project which introduced several innovative service offerings including no contract after the first contract; simplified national rate plans; a loyalty rewards program; overage protection, caps and forgiveness; a phone replacement program; and discounts for paperless billing and automatic payment. As of March 31, 2011, 1.8 million new and existing customers had subscribed to the new Belief Plans.

- Retail customer net losses were 31,000 in 2011 compared to net additions of 24,000 in 2010. In the postpaid category, there was a net loss of 22,000 in 2011 compared to a net loss of 9,000 in 2010. Prepaid net losses were 9,000 in 2011 compared to net additions of 33,000 in 2010.

- Postpaid customers comprised approximately 95% of U.S. Cellular s retail customers as of March 31, 2011. The postpaid churn rate remained flat at 1.4% in 2011 and 2010, respectively.

- Postpaid customers on smartphone service plans increased to 20% as of March 31, 2011 compared to 9% as of March 31, 2010. Smartphones represented 42% of all devices sold in 2011 compared to 17% in 2010.

- Service revenues of $985.1 million increased $20.1 million year-over-year, primarily due to increases in inbound roaming revenues and eligible telecommunications carrier (ETC) revenues.

- Additions to Property, plant and equipment totaled $95.9 million, including expenditures to construct cell sites, increase capacity in existing cell sites and switches, outfit new and remodel existing retail stores, develop new billing and other customer management related systems and platforms, and enhance existing office systems. Total cell sites in service increased 5% year-over-year to 7,663.

Table of Contents

- U.S. Cellular continued its efforts on a number of multi-year initiatives including the development of a Billing and Operational Support System (B/OSS) with 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 and thereby build and improve customer relationships; and a new Internet/Web platform to enable customers to complete a wide range of transactions and to manage their accounts online.

U.S. Cellular anticipates that its future results will be affected by the following factors:

- The Belief Project, which is intended to accelerate growth and have a positive impact on long-term profitability by increasing postpaid gross additions over the next several years and by contributing to incremental growth in average revenue per customer and improvement of U.S. Cellular s already low postpaid churn rate;

- Continued uncertainty related to current economic conditions and their impact on customer purchasing and payment behaviors;

- Relative ability to attract and retain customers in a competitive marketplace in a cost effective manner;

- Rapid growth in the demand for new data devices and services which may result in increased cost of equipment sold and other operating expenses and the need for additional investment in network capacity;

- 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 prepaid service, and emerging fourth generation technologies such as Long-term Evolution (LTE) and WiMax;

- Potential increases in prepaid customers, which generally generate lower average monthly service revenue per customer, as a percentage of U.S. Cellular s customer base in response to changes in customer preferences and industry dynamics;

- Increasing penetration in the wireless industry, requiring U.S. Cellular to grow revenues primarily from selling additional products and services to its existing customers, increasing the number of multi-device users among its existing customers, increasing data products and services and attracting wireless customers switching from other wireless carriers rather than by adding customers that are new to wireless service;

- Continued growth in revenues and costs related to data products and services and lower growth or declines in revenues from voice services;

- Effects on industry competition of ongoing industry consolidation;

- Costs of developing and enhancing office and customer support systems, including costs and risks associated with the completion and potential benefits of the multi-year initiatives described above;

- Continued enhancements to U.S. Cellular s wireless networks to meet the rapid increase in demand for data services from its customers. These enhancements include expansion of its current network and a planned upgrade to LTE technology with attendant costs and risks;

- Uncertainty related to the National Broadband Plan and other rulemaking by the Federal Communications Commission (FCC), including uncertainty relating to future eligible telecommunication carrier (ETC) funding from the universal service fund (USF);

- In April 2011, the FCC adopted mandatory roaming rules which require wireless operators to provide data roaming on commercially reasonable terms to other wireless operators with technologically compatible networks. The rules will become effective 30 days after publication in the Federal Register which could occur sometime in the second quarter of 2011. U.S. Cellular was in favor of creation of the mandatory roaming obligation and believes that it will be of assistance in the negotiation of data roaming agreements with other wireless operators in the future; and

- Exclusive arrangements between manufacturers of wireless devices and other carriers that restrict U.S. Cellular s access to devices desired by customers.

See Results of Operations Wireless.

Explanation of Responses:

Table of Contents

2011 Wireless Estimates

U.S. Cellular s current estimates of full-year 2011 results are shown below. Such estimates represent U.S. Cellular s views as of the date of filing of U.S. Cellular s Quarterly Report on Form 10-Q (Form 10-Q) for the quarterly period ended March 31, 2011. 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.

	Current Estimates	**Previous Estimates (1)**
Service revenues	$4,000-$4,100 million	Unchanged
Adjusted OIBDA (2)(4)	$775-$875 million	Unchanged
Operating income (3)(4)	$185-$285 million	Unchanged
Depreciation, amortization and accretion expenses, and losses on asset disposals and impairment of assets (3)	Approx. $590 million	Unchanged
Capital expenditures (4)	$750-$800 million	Approx. $650 million

(1) The 2011 Estimated Results as disclosed in TDS Annual Report on Form 10-K for the year ended December 31, 2010.

(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 (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 plans, which include a multi-year deployment of 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.

U.S. Cellular management currently believes that the foregoing estimates represent a reasonable view of what is achievable considering actions that U.S. Cellular has taken and will be taking. However, the current general economic conditions and competition in the markets served by U.S. Cellular have created a challenging business environment that could continue to significantly impact actual results. 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 wireless devices 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, including data 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, improve its prepaid products and services and reduce operational expenses over the long term.

Table of Contents

TDS Telecom

TDS Telecom provides high-quality telecommunications 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 as a full-service telecommunications company, including both ILEC and CLEC operations. TDS Telecom s strategy is to be the preferred provider of telecommunications and related 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;
- Assessing the competitive environment and responding as appropriate;
- 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 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 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 in the three months ended March 31, 2011 included the following:

- Overall equivalent access lines served by TDS Telecom as of March 31, 2011 decreased 3% to 1,096,300 compared to March 31, 2010. 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.

- Operating revenues grew 2% to $198.9 million compared to 2010 primarily due to an increase in revenues from acquisitions and increased ILEC data customers offset by lower revenues due to a decline in ILEC and CLEC physical access lines.

- Operating expenses decreased 2% to $166.7 million compared to 2010 primarily due to lower network costs, discrete items including insurance proceeds related to an asset loss, the refund of prior year regulatory contributions and the settlement of a legal dispute, offset by an increase in operating expenses due to acquisitions.

TDS anticipates that TDS Telecom s future results will be affected by the following factors:

- Continued increases in high-speed data customers;

- Expansion of terrestrial TV to additional markets;

- Continued focus on customer retention programs, including discounting for triple-play bundles including voice, DSL and satellite TV;

- Continued focus on cost-reduction initiatives through product cost improvement and process efficiencies;

- Potential acquisitions by TDS Telecom, including additional potential acquisitions of Hosted and Managed Services businesses;

- The Federal government s disbursement of Broadband Stimulus Funds to bring broadband to rural customers;

- Continued declines in physical access lines in service related to voice lines and second lines;

- Effects of recent industry consolidation on competition;

- Uncertainty related to the National Broadband Plan and other rulemaking by the FCC, including uncertainty relating to future funding from the USF;

Table of Contents

- Continued increases in competition from wireless and other wireline providers (other CLECs and cable providers) and technologies such as Voice over Internet Protocol (VoIP), third generation mobile technologies such as Evolution-Data Optimized and High-Speed Packet Access, (collectively 3G), and emerging fourth generation technologies such as LTE and WiMax; and

- Continued uncertainty related to current economic conditions and the challenging business environment.

See Results of Operations Wireline.

2011 Wireline Estimates

TDS Telecom s current estimates of full-year 2011 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-Q for the quarterly period ended March 31, 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 these estimated results.

	Current Estimates	**Previous Estimates (1)**
ILEC and CLEC Operations:		
Operating revenues	$780-$810 million	Unchanged
Adjusted OIBDA (2)	$260-$290 million	Unchanged
Operating income (3)	$75-$105 million	Unchanged
Depreciation, amortization and accretion expenses and losses on asset disposals (3)	Approx. $185 million	Unchanged
Capital expenditures (4)	$175-$200 million	Unchanged

(1) The 2011 Estimated Results as disclosed in TDS Annual Report on Form 10-K for the year ended December 31, 2010.

(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 (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 an estimate for losses on impairment of assets since these cannot be predicted.

(4) 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 2013.

The foregoing estimates reflect the expectations of TDS Telecom s management considering its strategic plans and the current general economic conditions. In this challenging business environment, TDS Telecom will continue to focus on revenue growth through new service offerings as well as expense reduction through product cost improvement and process efficiencies. In order to achieve these objectives the company has allocated capital expenditures for:

- Process and productivity initiatives;
- Increased network and product capabilities for broadband services;
- The expansion of terrestrial TV to additional markets;
- Data center investments to support the Hosted and Managed Services strategy; and
- Success-based spending to sustain managedIP growth.

Table of Contents

Cash Flows and Investments

TDS and its subsidiaries had cash and cash equivalents totaling $592.0 million; short-term investments in the form of U.S. treasury securities, corporate notes and certificates of deposit aggregating $299.5 million; long-term investments in the form of U.S. treasury securities and corporate notes of $81.6 million; and borrowing capacity under their revolving credit facilities of $699.6 million as of March 31, 2011. Also, during the three months ended March 31, 2011, TDS and its subsidiaries generated $261.8 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.

In March 2011, TDS issued $300 million of 7% senior notes due 2060. The net proceeds of such offering were used to redeem $282.5 million of TDS 7.6% Series A Notes due 2041 in May 2011, which represents the entire outstanding amount of such notes. The redemption price of the 7.6% Series A Notes is equal to 100% of the outstanding aggregate principal amount, plus accrued and unpaid interest thereon until the redemption date.

See Financial Resources and Liquidity and Capital Resources below for additional information related to cash flows, investments and revolving credit agreements.

Table of Contents

RESULTS OF OPERATIONS CONSOLIDATED

Three Months Ended March 31, (Dollars in thousands, except per share amounts)	2011	2010	Change	Percentage Change
Operating revenues				
U.S. Cellular	$ 1,057,092	$ 1,023,857	$ 33,235	3%
TDS Telecom	198,916	195,505	3,411	2%
All other (1)	2,673	3,073	(400)	(13)%
Total operating revenues	1,258,681	1,222,435	36,246	3%
Operating expenses				
U.S. Cellular	1,000,049	946,233	53,816	6%
TDS Telecom	166,710	169,633	(2,923)	(2)%
All other (1)	4,754	4,573	181	4%
Total operating expenses	1,171,513	1,120,439	51,074	5%
Operating income (loss)				
U.S. Cellular	57,043	77,624	(20,581)	(27)%
TDS Telecom	32,206	25,872	6,334	24%
All other (1)	(2,081)	(1,500)	(581)	(39)%
Total operating income	87,168	101,996	(14,828)	(15)%
Other income and (expenses)				
Equity in earnings of unconsolidated entities	19,388	24,903	(5,515)	(22)%
Interest and dividend income	2,624	2,441	183	7%
Interest expense	(28,099)	(28,958)	859	3%
Other, net	80	(190)	270	>(100)%
Total other income (expenses)	(6,007)	(1,804)	(4,203)	>100%
Income before income taxes	81,161	100,192	(19,031)	(19)%
Income tax expense	28,917	37,923	(9,006)	(24)%
Net income	52,244	62,269	(10,025)	(16)%
Less: Net income attributable to noncontrolling interests, net of tax	(10,622)	(13,855)	3,233	23%
Net income attributable to TDS shareholders	41,622	48,414	(6,792)	(14)%
Preferred dividend requirement	(12)	(12)		
Net income available to common shareholders	$ 41,610	$ 48,402	$ (6,792)	(14)%

Basic earnings per share attributable to TDS shareholders	$	0.40	$	0.46	(0.06)	(13)%
Diluted earnings per share attributable to TDS shareholders	$	0.40	$	0.45	(0.06)	(11)%

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(1) Consists of other corporate operations, intercompany eliminations between U.S. Cellular, TDS Telecom and corporate investments.

Operating Revenues and Expenses

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

Interest Expense

TDS recorded $1.6 million of interest expense in the three months ended March 31, 2011 that was related to the three months ended December 31, 2010.

Table of Contents

Equity in earnings of unconsolidated entities

Equity in earnings of unconsolidated entities represents TDS share of net income from entities in which it has a noncontrolling interest and that are accounted for by the equity method. TDS generally follows the equity method of accounting for unconsolidated 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.

TDS investment in the Los Angeles SMSA Limited Partnership (LA Partnership) contributed $13.0 million and $16.9 million to Equity in earnings from unconsolidated entities in 2011 and 2010, respectively.

Income tax expense

See Note 3 Income Taxes in the Notes to Consolidated Financial Statements for a discussion of the change in income tax expense and the overall effective tax rate on Income before income taxes.

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 and the noncontrolling shareholders or partners share of certain U.S. Cellular subsidiaries net income or loss.

	Three Months Ended March 31,			
		2011		2010
(Dollars in thousands)				
Net income attributable to U.S. Cellular noncontrolling interests, net of tax				
Noncontrolling public shareholders	$	(5,809)	$	(8,608)
Noncontrolling shareholders or partners		(4,813)		(5,247)
	$	(10,622)	$	(13,855)

29

RESULTS OF OPERATIONS   WIRELESS

TDS provides wireless telephone service through U.S. Cellular, an 83%-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 March 31, (1)		**2011**		**2010**
Total market population of consolidated operating markets (2)		46,774,000		46,546,000
Customers (3)		6,033,000		6,147,000
Market penetration (2)		12.9%		13.2%
Total full-time equivalent employees (4)		8,993		8,868
Cell sites in service		7,663		7,310
Smartphone penetration (9)(10)		20.2%		8.9%
For the Three Months Ended March 31, (5)		**2011**		**2010**
Gross customer additions		293,000		358,000
Net postpaid customer additions (losses)		(22,000)		(9,000)
Net prepaid customer additions (losses)		(9,000)		33,000
Net retail customer additions (losses) (6)		(31,000)		24,000
Net customer additions (losses) (6)		(39,000)		6,000
Postpaid churn rate (8)		1.4%		1.4%
Total ARPU (7)	$	54.29	$	52.41
Billed ARPU (7)	$	47.65	$	46.98
Postpaid ARPU (7)	$	51.21	$	50.70
Smartphones sold as a percent of total devices sold (9)		42.5%		16.6%

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

(2) Calculated using 2010 and 2009 Claritas population estimates for 2011 and 2010, 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 91,090,000 and 6.6%, and 90,468,000 and 6.8%, as of March 31, 2011 and 2010, respectively.

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

	March 31, 2011	2010
Customers on postpaid service plans in which the end user is a customer of U.S. Cellular (postpaid customers)	5,394,000	5,473,000
Customers on prepaid service plans in which the end user is a customer of U.S. Cellular (prepaid customers)	304,000	295,000
Total retail customers	5,698,000	5,768,000
End user customers acquired through U.S. Cellular s agreements with third parties (reseller customers)	335,000	379,000
Total customers	6,033,000	6,147,000

(4) Part-time employees are calculated at 70% of full-time employees.

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

Table of Contents

(6) Net retail customer additions (losses) represents the number of net customers added or lost 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 these measurements to assess the amount of revenue that U.S. Cellular generates each month on a per customer basis:

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. The average total customers during the three months ended March 31, 2011 and 2010 were 6,048,000 and 6,137,000, respectively.

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. The average total customers during the three months ended March 31, 2011 and 2010 were 6,048,000 and 6,137,000, respectively.

Postpaid ARPU Average monthly revenue per postpaid customer is calculated by dividing total postpaid retail service revenues from postpaid customers by the number of months in the period and by the average postpaid customers during the period. The average postpaid customers during the three months ended March 31, 2011 and 2010 were 5,401,000 and 5,474,000, respectively.

Average customers during the period is calculated by adding the number of respective 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. The calculation of average total customers includes postpaid, prepaid and reseller customers.

(8) Postpaid churn rate represents the percentage of the postpaid customer base that disconnects service each month. This amount represents the average postpaid churn rate for the three months of the respective year.

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

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

Table of Contents

Components of Operating Income

Three Months Ended March 31, (Dollars in thousands)	2011	2010	Change	Percentage Change
Retail service	$ 864,602	$ 865,039	$ (437)	
Inbound roaming	64,386	51,942	12,444	24%
Other	56,125	48,027	8,098	17%
Service revenues	985,113	965,008	20,105	2%
Equipment sales	71,979	58,849	13,130	22%
Total operating revenues	1,057,092	1,023,857	33,235	3%
System operations (excluding Depreciation, amortization and accretion reported below)	217,603	207,114	10,489	5%
Cost of equipment sold	194,360	161,105	33,255	21%
Selling, general and administrative	442,004	429,605	12,399	3%
Depreciation, amortization and accretion	145,045	143,233	1,812	1%
Loss on asset disposals, net	1,037	5,176	(4,139)	(80)%
Total operating expenses	1,000,049	946,233	53,816	6%
Operating income	$ 57,043	$ 77,624	$ (20,581)	(27)%

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, 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 USF.

Retail service revenues

Retail service revenues remained relatively flat in 2011 compared to 2010 as the impact of a decrease in U.S. Cellular s average customer base was partially offset by an increase in Billed ARPU.

The average number of customers decreased to 6,048,000 in 2011 from 6,137,000 in 2010, driven by reductions in postpaid and reseller customers.

Billed ARPU increased slightly to $47.65 in 2011 from $46.98 in 2010. This overall increase reflects an increase in Postpaid ARPU from $50.70 in 2010 to $51.21 in 2011 as well as the impact of a reduction in the number of reseller customers, who typically generate lower average monthly revenues.

U.S. Cellular expects continued pressure on revenues in the foreseeable future due to industry competition for customers and related effects on pricing of service plan offerings.

Inbound roaming revenues

Inbound roaming revenues increased by $12.4 million, or 24%, in 2011 compared to 2010. The growth in revenue was driven primarily by an increase in revenues from data roaming.

Other revenues

Other revenues increased by $8.1 million, or 17%, primarily due to an increase in ETC revenues. ETC revenues recorded in 2011 were $41.8 million compared to $34.8 million in 2010. U.S. Cellular was eligible to receive ETC funds in sixteen states in 2011 and 2010.

Table of Contents

Equipment sales revenues

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

U.S. Cellular strives to offer a competitive line of quality wireless devices to both new and existing customers. U.S. Cellular s customer acquisition and retention efforts include offering new devices to customers at discounted prices; in addition, customers on the new Belief Plans receive loyalty reward points that may be used to purchase a new device or accelerate the timing of a customer s eligibility for a device upgrade at promotional pricing. U.S. Cellular also continues to sell devices to agents; this practice enables U.S. Cellular to provide better control over the quality of devices sold to its customers, establish roaming preferences and earn quantity discounts from device manufacturers which are passed along to agents. U.S. Cellular anticipates that it will continue to sell devices to agents in the future.

The increase in 2011 equipment sales revenues was driven by an increase of 29% in average revenue per device sold, partially offset by a decline of 2% in total devices sold. Average revenue per device sold increased due to a shift in the mix of units sold to higher priced smartphones.

Total operating revenues Loyalty reward program impact

U.S. Cellular follows the deferred revenue method of accounting for its loyalty reward program, which launched on October 1, 2010. Under this method, revenue allocated to loyalty reward points is deferred and recognized at the time the loyalty reward points are used or redeemed. The deferred revenue related to the loyalty reward program is included in Customer deposits and deferred revenues (a current liability account) on the Consolidated Balance Sheet. For the three months ended March 31, 2011, deferred revenues related to the loyalty reward program increased $7.6 million, from $7.1 million at December 31, 2010 to $14.7 million at March 31, 2011. This net change for the period is comprised of deferred revenues of $8.7 million related to loyalty reward points awarded to customers, offset by a decrease of $1.1 million attributable to loyalty rewards points redeemed or used. Equipment sales revenues of $0.7 million and Retail service revenues of $0.4 million were recognized in the three months ended March 31, 2011 related to redemption or usage of loyalty reward points. Since this program was introduced on October 1, 2010 in conjunction with The Belief Project, it had no impact on financial results for the three months ended March 31, 2010.

Operating Expenses

System operations expenses (excluding Depreciation, amortization and accretion)

System operations expenses (excluding Depreciation, amortization, and accretion) include charges from 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 increase in System operations expenses were as follows:

- Maintenance, utility and cell site expenses increased $2.1 million, or 3%, driven primarily by an increase in the number of cell sites within U.S. Cellular s network. The number of cell sites totaled 7,663 at March 31, 2011 and 7,310 at March 31, 2010, as U.S. Cellular continued to grow by expand and enhance coverage in its existing markets. The increases in expenses were also 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 $8.6 million, or 18%, primarily due to higher data roaming expenses offset by a decline in voice roaming expenses.

U.S. Cellular expects total system operations expenses to increase on a year-over-year basis in the foreseeable future to support the continued growth in cell sites and other network facilities as it continues to add capacity, enhance quality and deploy new technologies as well as to support increases in total customer usage, particularly data usage.

Cost of equipment sold

Cost of equipment sold increased by $33.3 million, or 21%, in 2011 compared to 2010. The increase was driven by a 25% increase in the average cost per device sold, which reflected a shift in the mix of units sold to higher priced smartphones; the impact of higher average cost per unit sold was partially offset by a decline in total wireless devices sold of 2%.

Table of Contents

U.S. Cellular s loss on equipment, defined as equipment sales revenues less cost of equipment sold, was $122.4 million and $102.3 million for 2011 and 2010, respectively. U.S. Cellular expects loss on equipment to continue to be a significant cost in the foreseeable future as wireless carriers continue to use device availability and pricing as a means of competitive differentiation. In addition, U.S. Cellular expects increasing sales of data centric wireless devices such as smartphones and tablets to result in higher equipment subsidies over time; these devices generally have higher purchase costs which 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 expenses. Selling, general and administrative expenses also include bad debts expense, costs of operating customer care centers and corporate expenses.

Key components of the net increase in Selling, general and administrative expenses in 2011 were as follows:

- Selling and marketing expenses increased by $8.6 million, or 4%, primarily due to higher advertising expenses resulting from an increase in media purchases.

- General and administrative expenses increased $3.8 million, or 2%, due to higher customer service expenses to support the more complex devices currently being sold, higher expenses associated with various phone-related retention programs and higher consulting expenses related to strategic initiatives. These increases were partially offset by reductions in bad debts expense and USF contributions (most of the USF contribution expenses are offset by revenues for amounts passed through to customers as discussed above).

U.S. Cellular expects Selling, general and administrative expenses to increase on a year-over-year basis driven primarily by increases in expenses associated with acquiring, serving and retaining customers, as well as costs related to its multi-year initiatives.

Depreciation, amortization and accretion

Depreciation, amortization and accretion increased primarily due to an increase in the gross property, plant and equipment balances from 2010 to 2011.

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

Table of Contents

RESULTS OF OPERATIONS WIRELINE

TDS Telecom served 1,096,300 equivalent access lines at March 31, 2011, a net decrease of 31,700 lines from the 1,128,000 equivalent access lines served at March 31, 2010.

TDS Telecom provides services through its ILEC and CLEC operations. An ILEC is an incumbent local exchange telephone company that formerly had the exclusive right and responsibility to provide local transmission and switching services in its designated service territory. CLEC depicts companies that enter the operating areas of incumbent local exchange telephone companies to offer local exchange and other telephone services.

Acquisitions consist of two managed services companies that provide collocation, dedicated hosting, Internet and virtual computing services purchased in 2010. The operations of these companies are included in the ILEC operations.

The following table summarizes operating data for TDS Telecom s ILEC and CLEC operations:

As of March 31,	**2011**	**2010**	**Change**
ILEC			
Equivalent access lines	765,300	778,700	(13,400)
Physical access lines	501,200	530,400	(29,200)
High-speed data customers	231,800	217,400	14,400
Long-distance customers	370,600	365,600	5,000
CLEC			
Equivalent access lines	331,000	349,300	(18,300)
High-speed data customers	32,300	36,000	(3,700)

TDS Telecom

Components of Operating Income

Three months ended March 31,	**2011**	**2010**	**Change**	**Percentage Change**

(Dollars in thousands)				
Operating revenues				
ILEC revenues	$ 155,816	$ 150,156	$ 5,660	4%
CLEC revenues	45,328	47,743	(2,415)	(5)%
Intra-company elimination	(2,228)	(2,394)	166	7%
TDS Telecom operating revenues	198,916	195,505	3,411	2%
Operating expenses				
ILEC expenses	125,297	125,547	(250)	
CLEC expenses	43,641	46,480	(2,839)	(6)%
Intra-company elimination	(2,228)	(2,394)	166	7%
TDS Telecom operating expenses	166,710	169,633	(2,923)	(2)%
TDS Telecom operating income	$ 32,206	$ 25,872	$ 6,334	24%

Table of Contents

ILEC Operations

Components of Operating Income

Three months ended March 31, (Dollars in thousands)		**2011**		**2010**		**Change**	**Percentage Change**
Voice revenues	$	43,170	$	44,558	$	(1,388)	(3)%
Data revenues		36,152		28,298		7,854	28%
Network access revenues		66,172		67,942		(1,770)	(3)%
Miscellaneous revenues		10,322		9,358		964	10%
Total operating revenues		155,816		150,156		5,660	4%
Cost of services and products (excluding Depreciation, amortization and accretion reported below)		47,684		46,492		1,192	3%
Selling, general and administrative expenses		38,193		41,737		(3,544)	(8)%
Depreciation, amortization and accretion		39,347		37,058		2,289	6%
Loss on asset disposals, net		73		260		(187)	(72)%
Total operating expenses		125,297		125,547		(250)	
Total operating income	$	30,519	$	24,609	$	5,910	24%

Operating Revenues

Voice revenues (charges for providing local telephone exchange and long-distance services).

The decrease in Voice revenues in 2011 was primarily due to a 5% decline in average physical access lines in service which negatively impacted local service revenues by $1.9 million.

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

Acquisitions, which have expanded TDS Telecom s hosted and managed services capabilities, increased Data revenues $5.7 million in 2011. Hosted and managed services comprised 18% of Data revenues for the quarter ended March 31, 2011. Growth in average high-speed data customers of 7% increased revenues $1.9 million.

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 due to declines in intra-state minutes of use and decreases in revenues received through inter-state regulatory recovery mechanisms. Partially offsetting these declines were increases in revenues received from changes in participation in state Universal Service Funding programs.

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

Miscellaneous revenues increased primarily due to increases in satellite TV and terrestrial video subscribers.

Operating Expenses

Cost of services and products (excluding Depreciation, amortization and accretion)

Acquisitions increased cost of services and products $2.0 million in 2011. Partially offsetting this increase was $1.5 million of reduced circuit costs resulting from improved circuit infrastructure and traffic routing.

Table of Contents

Selling, general and administrative expenses

Acquisitions increased Selling, general and administrative expenses $2.3 million in 2011. Discrete items including insurance proceeds related to an asset loss, the refund of prior year regulatory contributions and the settlement of a legal dispute reduced Selling, general and administrative expenses $5.3 million in 2011.

Depreciation, amortization and accretion expense

Acquisitions increased Depreciation, amortization and accretion expense $2.0 million in 2011.

CLEC Operations

Components of Operating Income

Three months ended March 31,	**2011**	**2010**	**Change**	**Percentage Change**
(Dollars in thousands)				
Retail revenues	$ 40,824	$ 42,668	$ (1,844)	(4)%
Wholesale revenues	4,504	5,075	(571)	(11)%
Total operating revenues	45,328	47,743	(2,415)	(5)%
Cost of services and products (excluding Depreciation, amortization and accretion reported below)	22,472	24,492	(2,020)	(8)%
Selling, general and administrative expenses	15,648	15,538	110	1%
Depreciation, amortization and accretion	5,490	6,365	(875)	(14)%
Loss on asset disposals, net	31	85	(54)	(64)%
Total operating expenses	43,641	46,480	(2,839)	(6)%
Total operating income	$ 1,687	$ 1,263	$ 424	34%

Operating Revenues

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

Average CLEC equivalent access lines in service decreased 5% from 2010, decreasing retail revenues $2.2 million. Residential equivalent access lines decreased 24% as the CLEC operation continues to implement its strategic shift towards serving primarily a commercial customer base. Average commercial equivalent access lines declined 1% from 2010 to 2011, however, an increase in average revenue per commercial customer resulted in slightly higher commercial revenues in 2011.

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

The decline in wholesale revenues in 2011 was primarily driven by a 11% reduction in minutes of use.

Operating Expenses

Cost of services and products (excluding Depreciation, amortization and accretion)

Cost of services and products decreased in 2011 due to a $2.6 million reduction in purchased network services, primarily caused by the decrease in the residential customer base.

Selling, general and administrative expenses

Selling, general and administrative expenses were relatively unchanged in 2011.

Table of Contents

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements are not expected to have a significant effect on TDS financial condition or results of operations.

FINANCIAL RESOURCES

TDS operates a capital and marketing intensive business. TDS utilizes cash from its operating activities, cash proceeds from divestitures and dispositions 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 the three months ended March 31, 2011 compared to the three months ended March 31, 2010.

		2011		2010
(Dollars in thousands)				
Cash flows from (used in):				
Operating activities	$	261,790	$	210,660
Investing activities		(288,681)		(201,740)
Financing activities		250,767		(34,446)
Net increase (decrease) in cash and cash equivalents	$	223,876	$	(25,526)

Cash Flows from Operating Activities

The following table presents Adjusted OIBDA for the three months ended March 31, 2011 compared to the three months ended March 31, 2010 and is included for purposes of analyzing operating activities. 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:

	2011	2010

(Dollars in thousands)					
Operating income		$	87,168	$	101,996
Non-cash items					
	Depreciation, amortization and accretion		192,518		189,389
	Loss on impairment of intangible assets				
	Loss on asset disposals, net		1,143		5,431
Adjusted OIBDA (1)		$	280,829	$	296,816

(1) 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 (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. See Note 13 Business Segment Information in the Notes to Consolidated Financial Statements. Adjusted OIBDA excludes the net gain or loss on asset disposals 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.

Table of Contents

Cash flows from operating activities in 2011 were $261.8 million, an increase of $51.1 million from 2010. Significant changes included the following:

- Adjusted OIBDA, as shown in the table above, decreased by $16.0 million primarily due to a decrease in U.S. Cellular operating income. See discussion in the Results of Operations Wireless for factors that affected U.S. Cellular operating income.

- Income tax payments, net of refunds, decreased by $65.3 million to a net refund of $40.3 million in 2011 from a net payment of $25.0 million in 2010. This decrease primarily relates to a net federal income tax refund of $42.8 million received in March 2011 related to the 2010 tax year. In several prior years including 2010, TDS federal income tax payments were reduced as a result of bonus depreciation that was permitted for qualified capital expenditures during those years. In 2011, subject to changes in projected operating results, TDS expects to incur a federal net operating loss as a result of 100% bonus depreciation applicable to qualified capital expenditures during 2011. In addition, in the 2012 tax year, TDS is permitted to take 50% bonus depreciation on qualified capital expenditures which will reduce federal income tax payments related to the 2012 tax year. Beginning in 2013, TDS expects federal income tax payments to substantially increase and remain at a higher level for several years as the amount of TDS federal tax depreciation deduction substantially decreases as a result of having accelerated depreciation into prior years. This expectation assumes that federal bonus depreciation provisions are not enacted in future periods that would apply to tax years beyond 2012. To the extent further federal bonus deprecation provisions are enacted, this expectation will change. TDS future federal income tax liabilities associated with the current benefits being realized from bonus depreciation are accrued as a component of Net deferred income tax liability (noncurrent) in the Consolidated Balance Sheet.

- Changes in accounts payable required $15.1 million and $40.7 million in 2011 and 2010, respectively, causing a year-over-year increase in cash flows of $25.6 million. Changes in accounts payable were primarily driven by payment timing differences.

- Changes in other assets and liabilities required $87.7 million and $58.1 million in 2011 and 2010, respectively, causing a year-over-year decrease in cash flows of $29.6 million. This was partially driven by changes in amounts due to agents at U.S. Cellular.

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 $127.5 million in 2011 and $146.6 million in 2010. These expenditures were made to provide for customer and usage growth (in recent periods, particularly with respect to data 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 $95.9 million in 2011 and $121.5 million in 2010 representing expenditures to construct cell sites, increase capacity in existing cell sites and switches, 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 $22.1 million in 2011 and $20.2 million in 2010 representing expenditures to upgrade plant and equipment to provide enhanced services. TDS Telecom s capital expenditures for its CLEC operations totaled $4.2 million in 2011 and $3.2 million in 2010 for switching and other network facilities.

- Corporate and other capital expenditures totaled $5.3 million in 2011 and $1.7 million in 2010.

Table of Contents

Cash payments for acquisitions in 2011 and 2010 were as follows:

Cash Payment for Acquisitions (1)	2011	2010	
(Dollars in thousands)			
U.S. Cellular licenses	$	$	3,800
TDS Telecom business			17,318
Total	$	$	21,118

(1) Cash amounts paid for the acquisitions may differ from the purchase price due to cash acquired in the transactions and the timing of cash payments related to the respective transactions.

In 2010, TDS invested $50.0 million in corporate notes with maturities of greater than three months from the acquisition date. TDS did not make temporary cash investments in the first quarter of 2011. TDS realized proceeds of $122.8 million in 2011 related to the maturities of its investments in U.S. treasuries, corporate notes, and certificates of deposit. In 2010, $15.6 million in certificates of deposit were redeemed in the first quarter.

The net proceeds from the 7% senior notes issued in March 2011 were primarily used to redeem $282.5 million of TDS 7.6% Series A notes on May 2, 2011. The redemption price of the 7.6% Series A notes was equal to 100% of the outstanding aggregate principal amount, plus accrued and unpaid interest thereon to the redemption date. Notice of the redemption of the 7.6% Series A notes occurred in March 2011, and accordingly, at March 31, 2011, the $282.5 million of 7.6% Series A notes were classified as a current liability, and $282.5 million of cash designated for such redemption was classified as Restricted cash.

Cash Flows from Financing Activities

In March 2011, TDS issued $300 million of 7% senior notes due 2060, and paid related debt issuance costs of $9.8 million.

In 2011, TDS repurchased Special Common Shares at an aggregate cost of $11.6 million. In 2010, TDS repurchased Common and Special Common Shares at an aggregate cost of $14.8 million. Payments for repurchases of U.S. Cellular Common Shares required $17.4 million in 2011 and $5.2 million in 2010. See Note 10 TDS and U.S.

Cellular Share Repurchases in the Notes to Consolidated Financial Statements for additional information related to these transactions.

Free Cash Flow

The following table presents Free cash flow. 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 capital expenditures.

(Dollars in thousands)		**2011**		**2010**
Cash flows from operating activities	$	261,790	$	210,660
Capital expenditures		(127,463)		(146,622)
Free cash flow (1)	$	134,327	$	64,038

(1) Free cash flow is defined as Cash flows from operating activities minus Capital expenditures. Free cash flow is a non-GAAP financial measure.

See Cash flows from Operating Activities and Cash flows from Investing Activities for details on the changes to the components of Free cash flow.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2011, TDS had Cash and cash equivalents, Short-term investments and Long-term investments totaling $973.1 million, as described in more detail below. This does not include $282.5 million of Restricted cash as described below.

TDS believes that existing cash and investments balances, expected cash flows from operating activities and funds available under its 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 effect on its liquidity or capital resources will not occur. Economic conditions, changes in financial markets or other factors could restrict TDS 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 March 31, 2011, TDS had $592.0 million in cash and cash equivalents, which included 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 March 31, 2011, TDS cash and cash equivalents was held in bank deposit accounts and in money market funds that invest exclusively in U.S. Treasury securities with original maturities of less than three months or in repurchase agreements fully collateralized by such obligations. TDS monitors the financial viability of the money market funds and direct investments in which it invests and believes that the credit risk associated with these investments is low.

In March 2011, TDS called for redemption all of its 7.6% Series A Notes in May 2011. At March 31, 2011, TDS has restricted $282.5 million of cash for the purpose of redeeming these notes.

Short-term and Long-term Investments

At March 31, 2011, TDS had $299.5 million in Short-term investments and $81.6 million in Long-term investments. Short-term and Long-term investments consist of U.S. treasuries, corporate notes and certificates of deposit, all of which are designated as held-to-maturity investments, and are recorded at amortized cost in the Consolidated Balance Sheet. The corporate notes are guaranteed by the Federal Deposit Insurance Corporation. For these investments, TDS objective is to earn a higher rate of return on funds that are not anticipated to be required to meet liquidity needs in the near term, while maintaining a low level of investment risk. See Note 2 Fair Value Measurements in the Notes to Consolidated Financial Statements for additional details on Short-term and Long-term investments.

Revolving Credit Facilities

TDS has a $400 million and U.S. Cellular has a $300 million revolving credit facility available for general corporate purposes. At March 31, 2011, there were no outstanding borrowings and $0.2 million of outstanding letters of credit, leaving $399.8 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 revolving credit facility, TDS and U.S. Cellular entered into a subordination agreement dated December 17, 2010 together with the administrative agent for the lenders under U.S. Cellular s revolving credit facility. At March 31, 2011, no U.S. Cellular debt was subordinated pursuant to this subordination agreement.

TDS and U.S. Cellular s interest cost on their revolving credit facilities is subject to increase if their current credit ratings from nationally recognized credit rating agencies are lowered, and is subject to decrease if the ratings are raised. The 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 credit facilities or obtain access to other credit facilities in the future.

Table of Contents

TDS and U.S. Cellular s credit ratings from nationally recognized credit rating agencies were investment grade as of March 31, 2011.

The continued availability of the 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 March 31, 2011 with all of the covenants and requirements set forth in their revolving credit facilities.

Long-Term Financing

During the three months ended March 31, 2011, TDS issued $300 million 7% senior notes, and provided notice of redemption of $282.5 million of 7.6% Series A notes, the entire outstanding amount of such notes. This redemption occurred on May 2, 2011. See Note 7 Debt in the Notes to Consolidated Financial Statements for additional details on these transactions.

TDS and its subsidiaries had the following public debt outstanding as of March 31, 2011:

Telephone and Data Systems, Inc. (Parent):

- $116,250,000 aggregate principal amount of 6.625% senior notes due March 31, 2045. TDS may redeem such 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.

- $225,000,000 aggregate principal amount of 6.875% senior notes due November 15, 2059. TDS may redeem the notes, in whole or in part, at any time on or after November 15, 2015, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest.

- $300,000,000 aggregate principal amount of 7% senior notes due March 21, 2060. TDS may redeem the notes, in whole or in part, at any time on or after March 15, 2016, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest.

- $282,500,000 aggregate principal amount of 7.6% Series A notes due December 1, 2041. As indicated above, TDS provided notice of redemption of the entire outstanding balance of these notes in March 2011. This redemption occurred on May 2, 2011.

Subsidiaries U.S. Cellular:

- $544,000,000 aggregate principal amount of 6.7% senior notes due December 15, 2033. U.S. Cellular may redeem such 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.

- $330,000,000 aggregate principal amount of 7.5% senior notes due June 15, 2034. 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.

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 March 31, 2011 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.

Excluding the redemption of the 7.6% Series A notes cited above, the long-term debt principal payments due for the remainder of 2011 and the next four years represent less than 1% of the total long-term debt obligation at March 31, 2011. Refer to Market Risk Long-Term Debt in TDS Form 10-K for the year ended December 31, 2010 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.

42

Table of Contents

TDS and U.S. Cellular each have effective shelf registration statements on Form S-3 that they can use to issue senior debt securities that can be used for general corporate purposes, including to finance the redemption of any of the above existing debt. The TDS shelf registration statement is an automatic shelf registration that permits TDS to issue at any time and from time to time, senior debt securities in one or more offerings in an indeterminate amount. The U.S. Cellular shelf registration statement permits U.S. Cellular to issue at any time and from time to time, senior debt securities in one or more offerings up to an aggregate principal amount of $500,000,000. The ability of TDS or U.S. Cellular to complete an offering pursuant to such shelf registration statements is subject to market conditions and other factors at the time.

Capital Expenditures

U.S. Cellular s capital expenditures for 2011 are expected to be approximately $750 to $800 million. These expenditures are expected to be for the following general purposes:

- Expand and enhance U.S. Cellular s network coverage in its service areas;
- Provide additional capacity to accommodate increased network usage, principally data usage, by current customers;
- Deploy LTE 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 capital expenditures for 2011 are expected to be approximately $175 to $200 million. These expenditures are expected to be for the following general purposes:

- Process and productivity initiatives;
- Increased network and product capabilities for broadband services;
- Expansion of terrestrial TV to additional markets;
- Data center investments to support the Hosted and Managed Services strategy;
- Success-based spending to sustain managedIP growth; and
- Fund its share for projects approved under the American Recovery and Reinvestment Act of 2009.

TDS plans to finance its capital expenditures program for 2011 using cash flows from operating activities, existing cash balances and, if necessary, short-term debt.

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, such as Hosted and Managed Service Businesses. In addition, to strengthen its operations, 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.

U.S. Cellular s business development strategy is to acquire and 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.

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. There were no significant transactions in 2011.

Table of Contents

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 9 Variable Interest Entities (VIEs) 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 their repurchase programs. For additional information related to the current TDS and U.S. Cellular repurchase authorizations and repurchases during 2011 and 2010, see Note 10 TDS and U.S. Cellular Share Repurchases in the Notes to Consolidated Financial Statements and Item 2, Unregistered Sales of Equity Securities and Use of Proceeds.

Contractual and Other Obligations

There was no material change between December 31, 2010 and March 31, 2011 to the Contractual and Other Obligations disclosed in Management s Discussion and Analysis of Financial Condition and Results of Operations included in TDS Form 10-K for the year ended December 31, 2010, other than the issuance of the 7% senior notes and redemption of the 7.6% Series A notes discussed in the Long-Term Financing section above.

Off-Balance Sheet Arrangements

TDS had no transactions, agreements or other contractual arrangements with unconsolidated entities involving off-balance sheet arrangements, as defined by Securities and Exchange Commission (SEC) rules, that had 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.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

TDS prepares its consolidated financial statements in accordance with GAAP. TDS Application of Critical Accounting Policies and Estimates is discussed in detail in Management s Discussion and Analysis of Financial Condition and Results of Operations which is included in TDS Form 10-K for the year ended December 31, 2010. There were no material changes to TDS application of critical accounting policies and estimates during the three months ended March 31, 2011.

Table of Contents

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

SAFE HARBOR CAUTIONARY STATEMENT

This Form 10-Q, 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 expres 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, as more fully discussed under Risk Factors in TDS Form 10-K for the year ended December 31, 2010. 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 Risk Factors in TDS Form 10-K for the year ended December 31, 2010, the following factors and other information contained in, or incorporated by reference into, this Form 10-Q to understand the material risks relating to TDS business.

- *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 other 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 highly competent 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.*

Table of Contents

- *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 wireless devices, 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.*

- *TDS inability to manage its supply chain or inventory successfully could have an adverse effect on its 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 (HSPA), WiMAX or Long-Term Evolution (LTE), could render certain technologies used by TDS obsolete, could put TDS at a competitive disadvantage, could reduce TDS revenues or could increase its costs of doing business.*

- *Complexities associated with deploying new technologies, such as TDS planned upgrade to LTE technology, present substantial risk.*

- *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 developing and enhancing business support systems, 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 business, 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.*

- *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) or other operational difficulties 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.*

Table of Contents

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

- *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. Such amendments or restatements 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.*

- *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.*

- *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 wireless 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 customer net additions, revenues, operating income, capital expenditures and/or any other financial or statistical information to vary from TDS forward-looking estimates by a material amount.*

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

MARKET RISK

Long-term Debt

Refer to the disclosure under Market Risk Long-Term Debt in TDS Form 10-K for the year ended December 31, 2010, for additional information regarding required principal payments and the weighted average interest rates related to TDS long-term debt. There have been no material changes to such information since December 31, 2010, except as it relates to the issuance of $300 million of 7.0% senior notes in March 2011 and redemption of the entire outstanding balance of $282.5 million of the 7.6% Series A notes on May 2, 2011. Such transactions had minimal impact on the weighted average interest rate on long-term debt obligations, which was 7.1% as of both March 31, 2011 and December 31, 2010. See Note 7 Debt in the Notes to Consolidated Financial Statements for details of these transactions.

See Note 2 Fair Value Measurements in the Notes to Consolidated Financial Statements for additional information related to the fair market value of TDS long-term debt as of March 31, 2011.

Table of Contents

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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 Quarterly Report. Based on this evaluation, TDS Chief Executive Officer and Chief Financial Officer concluded that TDS disclosure controls and procedures were effective as of March 31, 2011, at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in TDS internal control over financial reporting during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect TDS internal control over financial reporting.

Table of Contents

Part II. Other Information

Item 1. Legal Proceedings.

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.

Item 1A. Risk Factors.

In addition to the information set forth in this Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in TDS Annual Report on Form 10-K for the year ended December 31, 2010, which could materially affect TDS business, financial condition or future results. The risks described in this Form 10-Q and in TDS Annual Report on Form 10-K may not be the only risks that could affect TDS. Additional unidentified or unrecognized risks and uncertainties could materially adversely affect TDS business, financial condition and/or operating results. In addition, you are referred to the above Management s Discussion and Analysis of Financial Condition and Results of Operations, and in particular the section captioned Overview, for disclosures of certain developments that have occurred since TDS filed its Form 10-K for the year ended December 31, 2010. Subject to the foregoing, TDS has not identified for disclosure any material changes to the risk factors as previously disclosed in TDS Annual Report on Form 10-K for the year ended December 31, 2010.

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

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 Common and Special Common Shares during the quarter covered by this Form 10-Q.

TDS PURCHASES OF COMMON SHARES AND SPECIAL 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
January 1 31, 2011				
Common		$		
Special Common				
Total				$ 179,070,730
February 1 28, 2011				
Common				
Special Common	75,932	29.20	75,932	
Total	75,932	29.20	75,932	176,853,597
March 1 31, 2011				
Common				
Special Common	331,349	28.33	331,349	
Total	331,349	28.33	331,349	167,467,704
Total for or as of end of the quarter ended March 31, 2011				
Common				

Special Common	407,281		28.49	407,281		
Total	407,281	$	28.49	407,281	$	167,467,704

The following is additional information with respect to the Common and Special Common Shares authorization:

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

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

iii. The expiration date for the program is November 19, 2012.

iv. The Common and Special Common Shares authorization did not expire during the first quarter of 2011.

v. TDS did not determine to terminate the foregoing Common and Special Common Shares repurchase program prior to expiration, or cease making further purchases thereunder, during the first quarter of 2011.

Table of Contents

Item 5. Other Information.

The following information is being provided to update prior disclosures made pursuant to the requirements of Form 8-K, Item 2.03 Creation of a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement of a Registrant.

Neither TDS nor U.S. Cellular borrowed or repaid any amounts under their revolving credit facilities in the first quarter of 2011 and had no borrowings outstanding under their revolving credit facilities as of March 31, 2011.

A description of TDS revolving credit facility is included under Item 1.01 in TDS Current Report on Form 8-K dated December 17, 2010 and is incorporated by reference herein.

A description of U.S. Cellular s revolving credit facility is included under Item 1.01 in U.S. Cellular s Current Report on Form 8-K dated December 17, 2010 and is incorporated by reference herein.

Item 6. Exhibits.

Exhibit 4.1 Fifth Supplemental Indenture dated as of March 21, 2011 between TDS and The Bank of New York Mellon Trust Company, N.A. establishing TDS 7% senior notes due 2060, is hereby incorporated by reference to Exhibit 4.1 to TDS Current Report on Form 8-K dated March 22, 2011.

Exhibit 10.1 Form of U.S. Cellular 2005 Long-Term Incentive Plan Stock Option Award Agreement for grants of stock options to the President and Chief Executive Officer of U.S. Cellular, is hereby incorporated by reference from Exhibit 10.1 to U.S. Cellular s Current Report on Form 8-K dated March 7, 2011.

Exhibit 10.2 Form of U.S. Cellular 2005 Long-Term Incentive Plan Restricted Stock Unit Award Agreement for grants of restricted stock options to the President and Chief Executive Officer of U.S. Cellular, is hereby incorporated by reference from Exhibit 10.2 to U.S. Cellular s Current Report on Form 8-K dated March 7, 2011.

Exhibit 11 Computation of Earnings per share is included herein as Note 4 Earnings Per Share in the Notes to Consolidated Financial Statements.

Exhibit 12 Statement regarding computation of ratio of earnings to fixed charges.

Exhibit 31.1 Chief Executive Officer certification pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.

Exhibit 31.2 Chief Financial Officer certification pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.

Exhibit 32.1 Chief Executive Officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

Exhibit 32.2 Chief Financial Officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

Exhibit 101.INS XBRL Instance Document

Exhibit 101.SCH XBRL Taxonomy Extension Schema Document

Exhibit 101.PRE XBRL Taxonomy Presentation Linkbase Document

Exhibit 101.CAL XBRL Taxonomy Calculation Linkbase Document

Exhibit 101.LAB XBRL Taxonomy Label Linkbase Document

Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

The foregoing exhibits include only the exhibits that relate specifically to this Form 10-Q or that supplement the exhibits identified in TDS Form 10-K for the year ended December 31, 2010. Reference is made to TDS Form 10-K for the year ended December 31, 2010 for a complete list of exhibits, which are incorporated herein except to the extent supplemented or superseded above.

Table of Contents

SIGNATURES

Pursuant to the requirements 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.
(Registrant)

Date: May 6, 2011	/s/ LeRoy T. Carlson, Jr. LeRoy T. Carlson, Jr., President and Chief Executive Officer (Principal Executive Officer)
Date: May 6, 2011	/s/ Kenneth R. Meyers Kenneth R. Meyers, Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: May 6, 2011	/s/ Douglas D. Shuma Douglas D. Shuma, Senior Vice President and Corporate Controller (Principal Accounting Officer)

Signature page for the TDS 2011 First Quarter Form 10-Q