TELEPHONE & DATA SYSTEMS INC /DE/
Form 10-Q
August 08, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from **to**

Commission File Number 001-14157

TELEPHONE AND DATA SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-2669023**

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

30 North LaSalle Street, Chicago, Illinois 60602

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(312) 630-1900**

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

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

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

Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ Smaller reporting company ¨

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 30, 2011
Common Shares, $.01 par value	49,937,250 Shares

Special Common Shares, $.01 par value	46,859,323 Shares
Series A Common Shares, $.01 par value	6,526,443 Shares

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Telephone and Data Systems, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period Ended June 30, 2011

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Part I. Financial Information

Item 1. Financial Statements

Telephone and Data Systems, Inc.

Consolidated Statement of Operations

Unaudited

(Dollars and shares in thousands, except per share amounts)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Operating revenues	$ 1,279,640	$ 1,232,219	$ 2,538,321	$ 2,454,654
Operating expenses				
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)	473,899	453,037	960,645	897,569
Selling, general and administrative	482,103	501,329	973,209	982,416
Depreciation, amortization and accretion	194,751	190,258	387,269	379,647
Loss on asset disposals, net	3,238	1,214	4,381	6,645
Total operating expenses	1,153,991	1,145,838	2,325,504	2,266,277
Operating income	125,649	86,381	212,817	188,377
Investment and other income (expense)				
Equity in earnings of unconsolidated entities	22,590	25,997	41,978	50,900
Interest and dividend income	2,093	2,674	4,717	5,115
Gain on investment	13,373	—	13,373	—

Interest expense	(45,417)	(29,265)	(73,516)	(58,223)
Other, net	1,306	(1,929)	1,386	(2,119)
Total investment and other income (expense)	(6,055)	(2,523)	(12,062)	(4,327)
Income before income taxes	119,594	83,858	200,755	184,050
Income tax expense	10,916	31,469	39,833	69,392
Net income	108,678	52,389	160,922	114,658
Less: Net income attributable to noncontrolling interests, net of tax	(17,615)	(12,102)	(28,237)	(25,957)
Net income attributable to TDS shareholders	91,063	40,287	132,685	88,701
Preferred dividend requirement	(12)	(12)	(25)	(25)
Net income available to common shareholders	$ 91,051	$ 40,275	$ 132,660	$ 88,676
Basic weighted average shares outstanding	103,509	105,520	103,765	105,728
Basic earnings per share attributable to TDS shareholders	$ 0.88	$ 0.38	$ 1.28	$ 0.84
Diluted weighted average shares outstanding	104,062	105,907	104,301	106,071
Diluted earnings per share attributable to TDS shareholders	$ 0.87	$ 0.38	$ 1.27	$ 0.83
Dividends per share	$ 0.1175	$ 0.1125	$ 0.2350	$ 0.2250

The accompanying notes are an integral part of these consolidated financial statements.

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Telephone and Data Systems, Inc.

Consolidated Statement of Cash Flows

(Unaudited)

	Six Months Ended June 30,	
(Dollars in thousands)	**2011**	**2010**
Cash flows from operating activities		
Net income	$ 160,922	$ 114,658
Add (deduct) adjustments to reconcile net income to net cash flows from operating activities		
Depreciation, amortization and accretion	387,269	379,647
Bad debts expense	29,906	39,633
Stock-based compensation expense	18,913	16,743
Deferred income taxes, net	79,637	(28,881)
Equity in earnings of unconsolidated entities	(41,978)	(50,900)
Distributions from unconsolidated entities	47,375	48,740
Loss on asset disposals, net	4,381	6,645
Gain on investment	(13,373)	—
Noncash interest expense	17,147	2,715
Other operating activities	1,070	666
Changes in assets and liabilities from operations		
Accounts receivable	(37,819)	(20,985)
Inventory	(48,826)	32,177
Accounts payable	(448)	(35,572)
Customer deposits and deferred revenues	22,600	4,217
Accrued taxes	(2,345)	24,209
Accrued interest	2,945	102
Other assets and liabilities	(89,713)	(31,468)
	537,663	502,346

Cash flows from investing activities		
Additions to property, plant and equipment	(338,711)	(317,950)
Cash paid for acquisitions and licenses	(22,167)	(28,264)
Cash paid for investments	(71,000)	(385,000)
Cash received for investments	213,030	15,661
Other investing activities	(816)	1,479
	(219,664)	(714,074)
Cash flows from financing activities		
Repayment of long-term debt	(613,387)	(1,280)
Issuance of long-term debt	643,700	—
TDS Common Shares and Special Common Shares reissued for benefit plans, net of tax payments	1,055	845
U.S. Cellular Common Shares reissued for benefit plans, net of tax payments	1,264	144
Repurchase of TDS Common and Special Common Shares	(21,500)	(31,092)
Repurchase of U.S. Cellular Common Shares	(62,308)	(21,423)
Dividends paid	(24,343)	(23,732)
Payment of debt issuance costs	(21,191)	—
Distributions to noncontrolling interests	(1,377)	(4,314)
Other financing activities	2,077	65
	(96,010)	(80,787)
Cash classified as held for sale	(5,687)	—
Net increase (decrease) in cash and cash equivalents	216,302	(292,515)
Cash and cash equivalents		
Beginning of period	368,134	670,992
End of period	$ 584,436	$ 378,477

The accompanying notes are an integral part of these consolidated financial statements.

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Telephone and Data Systems, Inc.

Consolidated Balance Sheet — Assets

(Unaudited)

(Dollars in thousands)	June 30, 2011	December 31, 2010
Current assets		
Cash and cash equivalents	$ 584,436	$ 368,134
Short-term investments	270,896	402,882
Accounts receivable		
Due from customers and agents, less allowances of $24,465 and $28,859, respectively	365,676	378,976
Other, less allowances of $5,543 and $6,148, respectively	153,426	133,970
Inventory	165,156	116,330
Net deferred income tax asset	47,970	37,079
Prepaid expenses	89,997	76,935
Income taxes receivable	63,978	64,386
Other current assets	17,390	17,384
	1,758,925	1,596,076
Assets held for sale	53,910	—
Investments		
Licenses	1,462,926	1,460,126
Goodwill	728,455	728,455
Other intangible assets, net of accumulated amortization of $124,025 and $119,555, respectively	26,316	30,810
Investments in unconsolidated entities	177,963	197,922
Long-term investments	90,900	102,185
Other investments	8,701	8,988
	2,495,261	2,528,486

Property, plant and equipment				
In service and under construction		9,675,106		9,393,385
Less: Accumulated depreciation		6,157,168		5,835,051
		3,517,938		3,558,334
Other assets and deferred charges		94,874		79,623
Total assets	$	7,920,908	$	7,762,519

The accompanying notes are an integral part of these consolidated financial statements.

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Telephone and Data Systems, Inc.

Consolidated Balance Sheet — Liabilities and Equity

(Unaudited)

(Dollars and shares in thousands)	June 30, 2011	December 31, 2010
Current liabilities		
Current portion of long-term debt	$ 1,919	$ 1,711
Accounts payable	344,026	344,355
Customer deposits and deferred revenues	194,381	171,781
Accrued interest	5,546	2,718
Accrued taxes	44,830	46,110
Accrued compensation	75,912	99,020
Other current liabilities	97,122	144,938
	763,736	810,633
Liabilities held for sale	871	—
Deferred liabilities and credits		
Net deferred income tax liability	688,311	585,468
Other deferred liabilities and credits	402,143	404,892
Long-term debt	1,530,369	1,499,862
Commitments and contingencies		
Noncontrolling interests with redemption features	863	855

Equity				
TDS shareholders' equity				
Series A Common, Special Common and Common Shares				
Authorized 290,000 shares (25,000 Series A Common, 165,000 Special Common and 100,000 Common Shares)				
Issued 127,061 shares (6,526 Series A Common, 63,442 Special Common and 57,093 Common Shares) and 127,045 shares (6,510 Series A Common, 63,442 Special Common and 57,093 Common Shares), respectively				
Outstanding 103,323 shares (6,526 Series A Common, 46,859 Special Common and 49,938 Common Shares) and 103,936 shares (6,510 Series A Common, 47,531 Special Common and 49,895 Common Shares), respectively				
Par Value ($.01 per share) ($65 Series A Common, $634 Special Common and $571 Common Shares)		1,270		1,270
Capital in excess of par value		2,108,280		2,107,929
Special Common and Common Treasury shares at cost:				
Treasury shares 23,738 (16,583 Special Common and 7,155 Common Shares) and 23,109 (15,911 Special Common and 7,198 Common Shares), respectively		(756,284)		(738,695)
Accumulated other comprehensive loss		(2,972)		(3,208)
Retained earnings		2,553,863		2,446,626
Total TDS shareholders' equity		3,904,157		3,813,922
Preferred shares		830		830
Noncontrolling interests		629,628		646,057
Total equity		4,534,615		4,460,809
Total liabilities and equity	$	7,920,908	$	7,762,519

The accompanying notes are an integral part of these consolidated financial statements.

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Telephone and Data Systems, Inc.
Consolidated Statement of Changes in Equity
(Unaudited)

	TDS Shareholders								
(Dollars in thousands)	**Series A Common, Special Common and Common Shares**	**Capital in Excess of Par Value**	**Special Common and Common Treasury Shares**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Total TDS Shareholders' Equity**	**Preferred Shares**	**Noncontrolling Interests**	**Total Equity**
December 31, 2010	**$ 1,270**	**$ 2,107,929**	**$ (738,695)**	**$ (3,208)**	**$ 2,446,626**	**$ 3,813,922**	**$ 830**	**$ 646,057**	**$ 4,460,809**
Add (Deduct)									
Net income attributable to TDS shareholders	—	—	—	—	132,685	132,685	—	—	132,685
Net income attributable to noncontrolling interests classified as equity	—	—	—	—	—	—	—	28,229	28,229
Net unrealized gain (loss) on equity investments	—	—	—	138	—	138	—	—	138
Changes related to retirement plan	—	—	—	98	—	98	—	—	98
	—	—	—	—	(24,318)	(24,318)	—	—	(24,318)
Common, Special Common and Series A Common Shares									

dividends									
Preferred dividend requirement	—	—	—	—	(25)	(25)	—	—	(25)
Repurchase of shares	—	—	(21,500)	—	—	(21,500)	—	—	(21,500)
Dividend reinvestment plan	—	66	2,534	—	(649)	1,951	—	—	1,951
Incentive and compensation plans	—	577	1,377	—	(456)	1,498	—	—	1,498
Adjust investment in subsidiaries for repurchases, issuances, and other compensation plans	—	(8,133)	—	—	—	(8,133)	—	(43,281)	(51,414)
Stock-based compensation awards (a)	—	8,115	—	—	—	8,115	—	—	8,115
Tax windfall (shortfall) from stock awards (b)	—	(274)	—	—	—	(274)	—	—	(274)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(1,377)	(1,377)
June 30, 2011	**$ 1,270**	**$ 2,108,280**	**$ (756,284)**	**$ (2,972)**	**$ 2,553,863**	**$ 3,904,157**	**$ 830**	**$ 629,628**	**$ 4,534,615**

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Telephone and Data Systems, Inc.

Consolidated Statement of Changes in Equity

(Unaudited)

(Dollars in thousands)	TDS Shareholders: Series A Common, Special Common and Common Shares	Capital in Excess of Par Value	Special Common and Common Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total TDS Shareholders' Equity	Preferred Shares	Non controlling Interests	Total Equity
December 31, 2009	**$ 1,270**	**$ 2,088,807**	**$ (681,649)**	**$ (2,710)**	**$ 2,358,580**	**$ 3,764,298**	**$ 832**	**$ 662,216**	**$ 4,427,346**
Add (Deduct)									
Net income attributable to TDS shareholders	—	—	—	—	88,701	88,701	—	—	88,701
Net income attributable to noncontrolling interests classified as equity	—	—	—	—	—	—	—	25,938	25,938
Net unrealized gain (loss) on equity investments	—	—	—	84	—	84	—	—	84
Changes related to retirement plan	—	—	—	(513)	—	(513)	—	—	(513)
Common, Special Common and Series A Common Shares dividends	—	—	—	—	(23,707)	(23,707)	—	—	(23,707)
Preferred dividend requirement	—	—	—	—	(25)	(25)	—	—	(25)
Repurchase of shares	—	—	(31,092)	—	—	(31,092)	(1)	—	(31,093)

Dividend reinvestment plan	—	—	3,192	—	(971)	2,221	—	—	2,221
Incentive and compensation plans	—	433	2,562	—	(1,716)	1,279	—	—	1,279
Adjust investment in subsidiaries for repurchases, issuances and other compensation plans	—	1,364	—	—	—	1,364	—	(14,838)	(13,474)
Stock-based compensation awards (a)	—	7,731	—	—	—	7,731	—	—	7,731
Tax windfall (shortfall) from from stock awards (b)	—	45	—	—	—	45	—	—	45
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(4,314)	(4,314)
June 30, 2010	**$ 1,270**	**$ 2,098,380**	**$ (706,987)**	**$ (3,139)**	**$ 2,420,862**	**$ 3,810,386**	**$ 831**	**$ 669,002**	**$ 4,480,219**

(a) Reflects TDS Corporate and TDS Telecom's current year stock-based compensation awards impact on Capital in excess of par value. U.S. Cellular's amounts are included in Adjust investment in subsidiaries for repurchases, issuances and other compensation plans.

(b) Reflects tax windfalls/(shortfalls) associated with the exercise of options and the vesting of restricted stock awards of TDS Common Shares and TDS Special Common Shares. U.S. Cellular's tax windfalls/(shortfalls) associated with the exercise of options and vesting of restricted stock awards of U.S. Cellular are included in Adjust investment in subsidiaries for repurchases, issuances, and other compensation plans.

The accompanying notes are an integral part of these consolidated financial statements.

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Telephone and Data Systems, Inc.

Consolidated Statement of Comprehensive Income

(Unaudited)

(Dollars in thousands)	Three Months Ended June 30, 2011		Three Months Ended June 30, 2010		Six Months Ended June 30, 2011		Six Months Ended June 30, 2010	
Net income	$	108,678	$	52,389	$	160,922	$	114,658
Net change in accumulated other comprehensive income								
Net unrealized gain (loss) on equity investments		138		84		138		84
Changes related to retirement plan		49		(257)		98		(513)
Comprehensive income		108,865		52,216		161,158		114,229
Less: Comprehensive income attributable to noncontrolling interests		(17,615)		(12,102)		(28,237)		(25,957)
Comprehensive income attributable to TDS shareholders	$	91,250	$	40,114	$	132,921	$	88,272

The accompanying notes are an integral part of these consolidated financial statements.

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Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accounting policies of Telephone and Data Systems, Inc. ("TDS") conform to accounting principles generally accepted in the United States of America ("GAAP") as set forth in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The consolidated financial statements include the accounts of TDS and its majority-owned subsidiaries, including TDS' 84%-owned wireless telephone subsidiary, United States Cellular Corporation ("U.S. Cellular"), TDS' 100%-owned wireline telephone subsidiary, TDS Telecommunications Corporation ("TDS Telecom") and TDS' majority-owned printing and distribution company, Suttle-Straus, Inc. In addition, the consolidated financial statements include certain entities in which TDS has a variable interest that require consolidation under GAAP. All material intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified to conform to the 2011 presentation.

The consolidated financial statements included herein have been prepared by TDS, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, TDS believes that the disclosures included herein are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in TDS' Annual Report on Form 10-K ("Form 10-K") for the year ended December 31, 2010.

The accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring items, unless otherwise disclosed) necessary to present fairly the financial position as of June 30, 2011 and December 31, 2010, the results of operations and changes in comprehensive income for the three and six months ended June 30, 2011 and 2010 and cash flows and changes in equity for the six months ended June 30, 2011 and 2010. The results of operations and comprehensive income for the three and six months ended, and cash flows and changes in equity for the six months ended June 30, 2011 are not necessarily indicative of the results expected for the full year.

Recent Accounting Pronouncements

On May 12, 2011 FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure*. TDS is required to adopt the provisions of ASU 2011-04 on January 1, 2012. Early adoption is prohibited. Although TDS does not value any financial assets or liabilities at fair value, certain assets and liabilities are disclosed at fair value (see Note 2 — Fair Value Measurements). Under ASU 2011-04, for these instruments, TDS will be required to disclose, in a tabular format, the level within the fair value hierarchy that each of these assets and liabilities are measured. The adoption of ASU 2011-04 is not expected to have a significant impact on TDS' financial position or results of operations.

On June 16, 2011 FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. ASU 2011-05 amends how other comprehensive income ("OCI") is presented in the financial statements. Under this standard, the Statement of Operations and OCI can be presented either continuously in a Statement of Comprehensive Income or in two separate but consecutive statements. TDS is required to adopt the provisions of ASU 2011-05 on January 1, 2012. TDS currently provides this information in two separate statements. The adoption of ASU 2011-05 is not expected to have a significant impact on TDS' financial position or results of operations.

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2. Fair Value Measurements

As of June 30, 2011 and December 31, 2010, TDS did not have any financial assets or liabilities that were required to be recorded at fair value in its Consolidated Balance Sheet in accordance with GAAP. However, TDS has applied the provisions of fair value accounting for purposes of computing the fair value of financial instruments for disclosure purposes as displayed below.

	June 30, 2011		December 31, 2010	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
(Dollars in thousands)				
Cash and cash equivalents	$ 584,436	$ 584,436	$ 368,134	$ 368,134
Short-term investments (1)(2)				
Certificates of deposit	74,240	74,240	97,270	97,270
Government-backed securities (3)	196,656	196,656	305,612	305,612
Long-term investments (1)(4)				
Government-backed securities (3)	90,900	91,240	102,185	102,325
Long-term debt (5)	1,525,951	1,536,378	1,495,461	1,482,181

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

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

(3) Includes U.S. treasuries and corporate notes guaranteed under the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program.

(4) At June 30, 2011, maturities range between 12 and 24 months.

(5) Excludes capital lease obligations and current portion of Long-term debt.

The fair values of Cash and cash equivalents and Short-term investments approximate their book values due to the short-term nature of these financial instruments. The fair values of Long-term investments were estimated using quoted market prices for the individual issuances. The fair value of long-term debt, excluding capital lease obligations and the current portion of such long-term debt, was estimated using market prices for TDS' 7.6% Series A notes, 7.0% senior notes, 6.875% senior notes and 6.625% senior notes, and U.S. Cellular's 7.5% and 6.95% senior notes, and discounted cash flow analysis for remaining debt.

As of June 30, 2011 and December 31, 2010, TDS did not have nonfinancial assets or liabilities that required the application of fair value accounting for purposes of reporting such amounts in its Consolidated Balance Sheet.

3. Income Taxes

TDS' overall effective tax rate on Income before income taxes for the three and six months ended June 30, 2011 was 9.1% and 19.8%, respectively, and for the three and six months ended June 30, 2010 was 37.5% and 37.7%, respectively. The effective tax rate for the three and six months ended June 30, 2011 was lower than the rate for the three and six months ended June 30, 2010 primarily as a result of tax benefits from state tax law changes and the expiration of statutes of limitations for certain tax years. The benefits from these changes, along with other discrete items, decreased income tax expense for the three and six months ended June 30, 2011 by $29.1 million and $30.8 million, respectively; absent these benefits, the effective tax rate for such periods would have been higher by 28.6 and 17.9 percentage points, respectively.

TDS expects to incur a federal net operating loss in 2011 for federal income tax purposes as a result of 100% bonus depreciation that applies to qualified capital expenditures. TDS plans to carryback this federal net operating loss to prior tax years, and has recorded $45.1 million in Income taxes receivable at June 30, 2011 primarily related to the benefit associated with this estimated federal net operating loss carryback. A portion of the loss will also be carried forward generating a current deferred tax asset of $10.9 million. TDS' future federal income tax liabilities associated with the benefits being realized from bonus depreciation are accrued as a component of Net deferred income tax liability (noncurrent) in the Consolidated Balance Sheet.

4. Earnings Per Share

Basic earnings per share attributable to TDS shareholders is computed by dividing Net income available to common shareholders of TDS by the weighted average number of common shares outstanding during the period. Diluted earnings per share attributable to TDS shareholders is computed by dividing Net income available to common shareholders of TDS by the weighted average number of common shares, both adjusted to include the effects of potentially dilutive securities. Potentially dilutive securities primarily include incremental shares issuable upon exercise of outstanding stock options and the vesting of restricted stock units.

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The amounts used in computing earnings per share and the effects of potentially dilutive securities on income and the weighted average number of Common, Special Common and Series A Common Shares are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
(Dollars and shares in thousands, except per share amounts)				
Basic earnings per share attributable to TDS shareholders:				
Net income available to common shareholders of TDS used in basic earnings per share	$ 91,051	$ 40,275	$ 132,660	$ 88,676
Adjustments to compute diluted earnings:				
Noncontrolling interest (1)	(342)	(138)	(570)	(314)
Preferred dividend (2)	12	12	25	25
Net income attributable to common shareholders of TDS used in diluted earnings per share	$ 90,721	$ 40,149	$ 132,115	$ 88,387
Weighted average number of shares used in basic earnings per share:				
Common Shares	49,964	49,872	49,955	49,862
Special Common Shares	47,027	49,150	47,296	49,371
Series A Common Shares	6,518	6,498	6,514	6,495
Total	103,509	105,520	103,765	105,728
Effects of dilutive securities:				
Stock options	289	151	286	122
Restricted stock units	209	188	195	173
Preferred shares	55	48	55	48
Weighted average number of shares used in diluted earnings per share	104,062	105,907	104,301	106,071

Basic earnings per share attributable to TDS shareholders	$	0.88	$	0.38	$	1.28	$	0.84
Diluted earnings per share attributable to TDS shareholders	$	0.87	$	0.38	$	1.27	$	0.83

(1) The noncontrolling income adjustment reflects the additional noncontrolling share of U.S. Cellular's income computed as if all of U.S. Cellular's issuable securities were outstanding.

(2) The preferred dividend adjustment reflects the dividend reduction related to preferred securities that were dilutive, and therefore treated as if converted for shares.

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Certain Common Shares and Special Common Shares issuable upon the exercise of Stock options, vesting of Restricted stock units or conversion of Convertible preferred shares were not included in average diluted shares outstanding for the calculation of Diluted earnings per share because their effects were antidilutive. The number of such Common Shares and Special Common Shares excluded is shown in the table below.

		Three Months Ended June 30,		Six Months Ended June 30,	
(Shares in thousands)		**2011**	**2010**	**2011**	**2010**
Stock options					
	Common Shares	363	606	387	634
	Special Common Shares	3,288	3,619	3,043	3,377
Restricted stock units					
	Common Shares	—	—	—	—
	Special Common Shares	127	65	64	33
Convertible preferred shares					
	Common Shares	—	—	—	—

5. 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 capital. As part of this strategy, TDS reviews attractive opportunities to acquire additional wireless operating markets and wireless spectrum; and telecommunications companies and related service businesses. In addition, TDS may seek to divest outright or include in exchanges for other interests those interests that are not strategic to its long-term success.

On May 9, 2011, U.S. Cellular paid $24.6 million in cash to purchase the remaining ownership interest in a wireless business in which it previously held a 49% noncontrolling interest, pursuant to certain required terms of the partnership agreement. Prior to this acquisition, the partnership had been accounted for under the equity method of accounting. In connection with the acquisition, a $13.4 million gain was recorded to adjust the carrying value of this 49% investment to its fair value of $25.7 million based on an income approach valuation method. The gain was recorded in Gain on investment in the Consolidated Statement of Operations. U.S. Cellular is actively trying to sell this business and, as a result, $53.9 million of assets and $0.9 million of liabilities have been classified in the Consolidated Balance Sheet as “held for sale”. Included in Assets held for sale are $9.6 million of Current assets, $36.6 million of Investments (primarily licenses) and $7.7 million of Property, plant and equipment. Liabilities held for sale primarily includes Current liabilities. For the period since acquisition, this business generated revenues of $3.9 million and operating income of $2.6 million.

Acquisitions had a non-material impact in the TDS’ consolidated financial statements for the periods presented. Pro forma results, assuming acquisitions had occurred at the beginning of each period presented, would not be materially different from the results reported.

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TDS' acquisitions during the six months ended June 30, 2011 and 2010 and the allocation of the purchase price for these acquisitions were as follows:

					Allocation of Purchase Price					
(Dollars in thousands)		**Purchase price (1)**		**Goodwill (2)**		**Licenses**		**Intangible assets subject to amortization**		**Net tangible assets (liabilities)**
2011										
U.S. Cellular licenses	$	2,800	$	—	$	2,800	$	—	$	—
U.S. Cellular business (3)		24,572		—		15,592		2,252		6,728
Total	$	27,372	$	—	$	18,392	$	2,252	$	6,728
2010										
U.S. Cellular licenses	$	10,501	$	—	$	10,501	$	—	$	—
TDS Telecom ILEC business		18,191		5,336		—		7,900		4,955
Total	$	28,692	$	5,336	$	10,501	$	7,900	$	4,955

(1) Cash amounts paid for 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.

(2) No goodwill was amortizable for income tax purposes.

(3) Includes only the acquired interest and does not include amounts attributable to U.S. Cellular's pre-existing noncontrolling interest described above in this Note 5.

6. Licenses and Goodwill

Changes in TDS' licenses and goodwill for the six months ended June 30, 2011 and 2010 are presented below.

Licenses

(Dollars in thousands)	U.S. Cellular (1)	TDS Telecom	Total
Balance December 31, 2010	$ 1,457,326	$ 2,800	$ 1,460,126
Acquisitions (2)	2,800	—	2,800
Balance June 30, 2011	$ 1,460,126	$ 2,800	$ 1,462,926
Balance December 31, 2009	$ 1,440,225	$ 2,800	$ 1,443,025
Acquisitions	10,501	—	10,501
Balance June 30, 2010	$ 1,450,726	$ 2,800	$ 1,453,526

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Goodwill

(Dollars in thousands)	U.S. Cellular (1)	TDS Telecom (3)	Non-reportable Segment (4)	Total
Assigned value at time of acquisition	$ 622,681	$ 465,312	$ 3,802	$ 1,091,795
Accumulated impairment losses in prior periods	(333,900)	(29,440)	—	(363,340)
Balance December 31, 2010	288,781	435,872	3,802	728,455
Acquisitions	—	—	—	—
Balance June 30, 2011	$ 288,781	$ 435,872	$ 3,802	$ 728,455
Assigned value at time of acquisition	$ 617,222	$ 450,156	$ 3,802	$ 1,071,180
Accumulated impairment losses in prior periods	(333,900)	(29,440)	—	(363,340)
Balance December 31, 2009	283,322	420,716	3,802	707,840
Acquisitions	—	5,336	—	5,336
Other (5)	5,459	—	—	5,459
Balance June 30, 2010	$ 288,781	$ 426,052	$ 3,802	$ 718,635

(1) Prior to January 1, 2009, TDS accounted for U.S. Cellular's share repurchases as step acquisitions, allocating a portion of the share repurchase value to TDS licenses and goodwill, as required by GAAP in effect at that time. Consequently, U.S. Cellular's licenses, goodwill and accumulated impairment loss reported on a stand-alone basis do not match the TDS consolidated licenses, goodwill and accumulated impairment losses related to U.S. Cellular.

(2) Does not include the acquired interest, the adjustment of the pre-existing noncontrolling interest or the classification of such amounts as Assets held for sale in the Consolidated Balance Sheet, all as described in Note 5 — Acquisitions, Divestitures and Exchanges.

(3) The entire goodwill balance of $29.4 million at the TDS Telecom CLEC business segment was impaired in 2004. The remaining goodwill balance at TDS Telecom is attributed to the ILEC business segment.

(4) "Non-reportable segment" consists of goodwill related to Suttle-Straus.

(5) Amount reclassified from Investments in unconsolidated entities to Goodwill in June 2010.

7. Investments in Unconsolidated Entities

Investments in unconsolidated entities consist of amounts invested in wireless and wireline entities in which TDS holds a noncontrolling interest. These investments are accounted for using either the equity or cost method.

Equity in earnings of unconsolidated entities totaled $22.6 million and $26.0 million in the three months ended June 30, 2011 and 2010, respectively, and $42.0 million and $50.9 million in the six month-periods then ended, respectively; of those amounts, TDS' investment in the Los Angeles SMSA Limited Partnership ("LA Partnership") contributed $14.1 and $16.6 million in the three months ended June 30, 2011 and 2010, respectively, and $27.1 million and $33.5 million in the six months ended June 30, 2011 and 2010, respectively. TDS held a 5.5% ownership interest in the LA Partnership during these periods.

The following table, which is based on information provided in part by third parties, summarizes the combined results of operations of TDS' equity method investments:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2011	**2010**	**2011**	**2010**
(Dollars in thousands)				
Revenues	$ 1,361,000	$ 1,212,000	$ 2,690,000	$ 2,430,000
Operating expenses	1,039,000	851,000	2,076,000	1,714,000
Operating income	322,000	361,000	614,000	716,000
Other income	1,000	12,000	—	20,000
Net income	$ 323,000	$ 373,000	$ 614,000	$ 736,000

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8. Debt

In May 2011, U.S. Cellular issued $342 million aggregate principal amount of unsecured 6.95% senior notes due May 2060. Interest on the notes is payable quarterly. U.S. Cellular may redeem the notes, in whole or in part, at any time on and after May 15, 2016, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest. Capitalized debt issuance costs totaled $11.2 million and will be amortized over the life of the notes. Such issuance costs are included in Other assets and deferred charges (a long-term asset account) at June 30, 2011.

U.S. Cellular used substantially all of the net proceeds from the issuance of the 6.95% senior notes to redeem $330 million (the entire outstanding amount) of its unsecured 7.5% senior notes on June 20, 2011 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to the redemption date. This redemption required U.S. Cellular to write-off $8.2 million of previously capitalized debt issuance costs related to the 7.5% senior notes; the write-off was included in Interest expense in the Consolidated Statement of Operations for the period ended June 30, 2011.

In March 2011, TDS issued $300 million aggregate principal amount of unsecured 7% senior notes due March 2060. Interest on the notes is payable quarterly. 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. Capitalized debt issuance costs totaled $9.9 million and will be amortized over the life of the notes. Such issuance costs are included in Other assets and deferred charges (a long-term asset account) at June 30, 2011.

TDS used substantially all of the net proceeds from the issuance of the 7% senior notes to redeem $282.5 million of its unsecured 7.6% Series A notes on May 2, 2011 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to the redemption date. This represented the entire outstanding amount of the 7.6% Series A notes. This redemption required TDS to write-off $7.2 million of previously capitalized debt issuance costs related to the 7.6% Series A notes, which was included in Interest expense in the Consolidated Statement of Operations for the period ended June 30, 2011.

9. Commitments, Contingencies and Other Liabilities

Agreements

As previously disclosed, on August 17, 2010, U.S. Cellular and Amdocs Software Systems Limited ("Amdocs") entered into a Software License and Maintenance Agreement ("SLMA") and a Master Service Agreement ("MSA") (collectively, the "Amdocs Agreements") to develop a Billing and Operational Support System ("B/OSS"). Pursuant to an updated Statement of Work dated July 6, 2011, the implementation of B/OSS is expected to take until 2013 to complete and payments to Amdocs are estimated to be approximately $122 million (subject to certain potential adjustments). The $122 million will be paid in installments through the second half of 2013. As of June 30, 2011, $13.8 million has been paid to Amdocs.

Indemnifications

TDS enters into agreements in the normal course of business that provide for indemnification of counterparties. The terms of the indemnifications vary by agreement. The events or circumstances that would require TDS to perform under these indemnities are transaction specific; however, these agreements may require TDS to indemnify the counterparty for costs and losses incurred from litigation or claims arising from the underlying transaction. TDS is unable to estimate the maximum potential liability for these types of indemnifications as the amounts are dependent on the outcome of future events, the nature and likelihood of which cannot be determined at this time. Historically, TDS has not made any significant indemnification payments under such agreements.

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.

TDS has accrued $4.3 million and $7.8 million with respect to legal proceedings and unasserted claims as of June 30, 2011 and December 31, 2010, respectively. TDS has not accrued any amount for legal proceedings if it cannot estimate the amount of the possible loss or range of loss. TDS does not believe that the amount of any contingent loss in excess of the amounts accrued would be material.

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Agent Liabilities

U.S. Cellular has relationships with agents, which are independent businesses that obtain customers for U.S. Cellular. At June 30, 2011 and December 31, 2010, U.S. Cellular had accrued $45.9 million and $71.3 million, respectively, for amounts due to agents, including rebates and commissions. These amounts are included in Other current liabilities in the Consolidated Balance Sheet.

10. Variable Interest Entities (VIEs)

From time to time, the FCC conducts auctions through which additional spectrum is made available for the provision of wireless services. U.S. Cellular, TDS' subsidiary, participated in spectrum auctions indirectly through its interests in Aquinas Wireless L.P. ("Aquinas Wireless"), King Street Wireless L.P. ("King Street Wireless"), Barat Wireless L.P. ("Barat Wireless") and Carroll Wireless L.P. ("Carroll Wireless"), collectively, the "limited partnerships." Each limited partnership participated in and was awarded spectrum licenses in one of four separate spectrum auctions (FCC Auctions 78, 73, 66 and 58). Each limited partnership qualified as a "designated entity" and thereby was eligible for bidding credits with respect to licenses purchased in accordance with the rules defined by the FCC for each auction. In most cases, the bidding credits resulted in a 25% discount from the gross winning bid.

Consolidated VIEs

As of June 30, 2011, TDS consolidates the following VIEs under GAAP:

- Aquinas Wireless;
- King Street Wireless and King Street Wireless, Inc., the general partner of King Street Wireless;
- Barat Wireless and Barat Wireless, Inc., the general partner of Barat Wireless; and
- Carroll Wireless and Carroll PCS, Inc., the general partner of Carroll Wireless.

TDS holds a variable interest in the entities listed above. It has made capital contributions and/or advances to these entities. The power to direct the activities of the VIEs that most significantly impact their economic performance is shared. Specifically, the general partner of each of these VIEs has the exclusive right to manage, operate and control the limited partnerships and make all decisions to carry on the business of the partnerships; however, the general partner of each partnership needs consent of the limited partner, a TDS subsidiary, to sell or lease certain licenses, to make certain large expenditures, admit other partners or liquidate the limited partnerships. Although the power to direct the activities of the VIEs is shared, TDS has a disproportionate level of exposure to the variability associated with the economic performance of the VIEs, indicating that TDS is the primary beneficiary of the VIEs in accordance with GAAP. Accordingly, these VIEs are consolidated. As of June 30, 2011, TDS' capital contributions and advances made to these VIEs totaled $568.9 million.

The following table presents the classification of the consolidated VIEs' assets and liabilities in TDS' Consolidated Balance Sheet.

		June 30,		**December 31,**	
		2011		**2010**	
(Dollars in thousands)					
Assets					
Cash	$	6,605	$	1,673	
Other current assets		400		323	
Licenses		487,962		487,962	
Other assets and deferred charges		735			—
Property, plant and equipment		3,501		1,548	
Total assets	$	499,203	$	491,506	
Liabilities					
Other current liabilities	$	265	$	95	
Total liabilities	$	265	$	95	

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Other Related Matters

TDS may agree to make additional capital contributions and/or advances to the VIEs discussed above and/or to their general partners to provide additional funding for the development of licenses granted in the various auctions. TDS may finance such amounts with a combination of cash on hand, borrowings under its revolving credit agreement and/or long-term debt. There is no assurance that TDS will be able to obtain additional financing on commercially reasonable terms or at all to provide such financial support.

These VIEs are in the process of developing long-term business plans. These entities were formed to participate in FCC auctions of wireless spectrum and to fund, establish, and provide wireless service with respect to any FCC licenses won in the auctions. As such, these entities have risks similar to those described in the “Risk Factors” in TDS’ Form 10-K for the year ended December 31, 2010.

11. TDS and U.S. Cellular Share Repurchases

On November 19, 2009, the Board of Directors of TDS authorized a $250 million stock repurchase program for both TDS Common and Special Common Shares from time to time pursuant to open market purchases, block transactions, private purchases or otherwise, depending on market conditions. This authorization will expire on November 19, 2012.

On November 17, 2009, the Board of Directors of U.S. Cellular authorized the repurchase of up to 1,300,000 Common Shares on an annual basis beginning in 2009 and continuing each year thereafter, on a cumulative basis. These purchases will be made pursuant to open market purchases, block purchases, private purchases, or otherwise, depending on market prices and other conditions. This authorization does not have an expiration date.

Share repurchases made under these authorizations were as follows:

Six Months Ended June 30,	Number of Shares	Average Cost	Amount

(Dollars and shares in thousands, except cost per share)			Per Share		
2011					
U.S. Cellular Common Shares	1,276	$	48.83	$	62,308
TDS Common Shares	—		—		—
TDS Special Common Shares	748		28.73		21,500
2010					
U.S. Cellular Common Shares	523	$	40.97	$	21,423
TDS Common Shares	—		—		—
TDS Special Common Shares	1,079		28.81		31,092

12. Noncontrolling Interests

The following schedule discloses the effects of net income attributable to TDS shareholders and changes in TDS' ownership interest in U.S. Cellular on TDS' equity for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30,			
		2011		2010
(Dollars in thousands)				
Net income attributable to TDS shareholders	$	132,685	$	88,701
Transfer (to) from the noncontrolling interests				
Change in TDS' Capital in excess of par value from U.S. Cellular's issuance of U.S. Cellular shares		(8,405)		(4,697)
Change in TDS' Capital in excess of par value from U.S. Cellular's repurchase of U.S. Cellular shares		(7,734)		(334)
Net transfers (to) from noncontrolling interests		(16,139)		(5,031)
Change from net income attributable to TDS and transfers (to) from noncontrolling interests	$	116,546	$	83,670

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Mandatorily Redeemable Noncontrolling Interests in Finite-Lived Subsidiaries

TDS' consolidated financial statements include certain noncontrolling interests that meet the GAAP definition of mandatorily redeemable financial instruments. These mandatorily redeemable noncontrolling interests represent interests held by third parties in consolidated partnerships and limited liability companies ("LLCs"), where the terms of the underlying partnership or LLC agreement provide for a defined termination date at which time the assets of the subsidiary are to be sold, the liabilities are to be extinguished and the remaining net proceeds are to be distributed to the noncontrolling interest holders and TDS in accordance with the respective partnership and LLC agreements. The termination dates of these mandatorily redeemable noncontrolling interests range from 2085 to 2107.

The settlement value or estimate of cash that would be due and payable to settle these noncontrolling interests, assuming an orderly liquidation of the finite-lived consolidated partnerships and LLCs on June 30, 2011, net of estimated liquidation costs, is $164.9 million. This amount excludes redemption amounts recorded in Noncontrolling interests with redemption features in the Consolidated Balance Sheet. The estimate of settlement value was based on certain factors and assumptions which are subjective in nature. Changes in those factors and assumptions could result in a materially larger or smaller settlement amount. TDS currently has no plans or intentions relating to the liquidation of any of the related partnerships or LLCs prior to their scheduled termination dates. The corresponding carrying value of the mandatorily redeemable noncontrolling interests in finite-lived consolidated partnerships and LLCs at June 30, 2011 was $50.2 million, and is included in Noncontrolling interests in the Consolidated Balance Sheet. The excess of the aggregate settlement value over the aggregate carrying value of these mandatorily redeemable noncontrolling interests is primarily due to the unrecognized appreciation of the noncontrolling interest holders' share of the underlying net assets in the consolidated partnerships and LLCs. Neither the noncontrolling interest holders' share, nor TDS' share, of the appreciation of the underlying net assets of these subsidiaries is reflected in the consolidated financial statements.

13. Accumulated Other Comprehensive Income (Loss)

The changes in the cumulative balance of Accumulated other comprehensive income (loss) were as follows:

	Six Months Ended June 30,	
	2011	**2010**

(Dollars in thousands)				
Equity Method Investments				
Balance, beginning of period	$	390	$	306
Add (deduct):				
Net unrealized gain (loss) on equity investments		138		84
Net change in equity method investments		138		84
Balance, end of period	$	528	$	390
Retirement Plans				
Balance, beginning of period	$	(3,598)	$	(3,016)
Add (deduct):				
Amounts included in net periodic benefit cost for the period				
Amortization of prior service cost		(1,908)		(1,908)
Amortization of unrecognized net loss		960		1,079
		(948)		(829)
Deferred income taxes		1,046		316
Changes related to retirement plan		98		(513)
Balance, end of period	$	(3,500)	$	(3,529)
Accumulated Other Comprehensive Income (Loss)				
Balance, beginning of period	$	(3,208)	$	(2,710)
Add (deduct):				
Net unrealized gain (loss) on equity investments		138		84
Changes related to retirement plan		98		(513)
Balance, end of period	$	(2,972)	$	(3,139)

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14. Business Segment Information

Financial data for TDS' business segments for the three month periods ended, or as of June 30, 2011 and 2010, is as follows. TDS Telecom's incumbent local exchange carriers are designated as "ILEC" in the table and its competitive local exchange carrier is designated as "CLEC."

Three Months Ended or as of June 30, 2011 (Dollars in thousands)	U.S. Cellular	TDS Telecom ILEC	CLEC	ILEC/CLEC Eliminations	TDS Telecom Total	Non-Reportable Segment (1)	Other Reconciling Items (2)	Total
Operating revenues	$ 1,076,182	$ 156,006	$ 45,596	$ (2,706)	$ 198,896	$ 9,530	$ (4,968)	$ 1,279,640
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)	396,415	49,839	23,029	(2,279)	70,589	7,290	(395)	473,899
Selling, general and administrative expense	426,172	42,597	16,087	(427)	58,257	1,675	(4,001)	482,103
Adjusted OIBDA (3)	253,595	63,570	6,480	—	70,050	565	(572)	323,638
Depreciation, amortization and accretion expense	148,283	38,404	5,439	—	43,843	475	2,150	194,751
Loss on impairment of intangible assets	—	—	—	—	—	—	—	—
	2,922	270	47	—	317	(1)	—	3,238

(Gain) loss on asset disposals, net								
Operating income (loss)	102,390	24,896	994	—	25,890	91	(2,722)	125,649
Total assets	6,089,916	1,456,308	112,942	—	1,569,250	23,487	238,255	7,920,908
Capital expenditures	$ 162,107	$ 39,070	$ 6,218	$ —	$ 45,288	$ 603	$ 3,250	$ 211,248

Three Months Ended or as of June 30, 2010 (Dollars in thousands)	**U.S. Cellular**	**TDS Telecom ILEC**	**CLEC**	**ILEC/CLEC Eliminations**	**TDS Telecom Total**	**Non-Reportable Segment (1)**	**Other Reconciling Items (2)**	**Total**
Operating revenues	$ 1,029,893	$ 154,258	$ 47,325	$ (2,377)	$ 199,206	$ 8,713	$ (5,593)	$ 1,232,219
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)	375,507	49,302	24,495	(2,247)	71,550	6,456	(476)	453,037
Selling, general and administrative expense	445,177	44,167	15,978	(130)	60,015	1,620	(5,483)	501,329
Adjusted OIBDA (3)	209,209	60,789	6,852	—	67,641	637	366	277,853
Depreciation, amortization and accretion expense	144,455	36,847	6,302	—	43,149	516	2,138	190,258
Loss on impairment of intangible assets	—	—	—	—	—	—	—	—
(Gain) loss on asset disposals, net	1,250	(228)	160	—	(68)	17	15	1,214
Operating income (loss)	63,504	24,170	390	—	24,560	104	(1,787)	86,381

Total assets	5,795,648	1,446,475	117,931	—	1,564,406	21,553	228,821	7,610,428
Capital expenditures	$ 133,490	$ 28,167	$ 5,404	$ —	$ 33,571	$ 434	$ 3,833	$ 171,328

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Six Months Ended or as of June 30, 2011 (Dollars in thousands)	U.S. Cellular	TDS Telecom ILEC	CLEC	ILEC/CLEC Eliminations	TDS Telecom Total	Non-Reportable Segment (1)	Other Reconciling Items (2)	Total
Operating revenues	$ 2,133,274	$ 311,822	$ 90,924	$ (4,934)	$ 397,812	$ 18,145	$ (10,910)	$ 2,538,321
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)	808,378	97,523	45,501	(4,070)	138,954	14,111	(798)	960,645
Selling, general and administrative expense	868,176	80,790	31,735	(864)	111,661	3,307	(9,935)	973,209
Adjusted OIBDA (3)	456,720	133,509	13,688	—	147,197	727	(177)	604,467
Depreciation, amortization and accretion expense	293,328	77,751	10,929	—	88,680	949	4,312	387,269
Loss on impairment of intangible assets	—	—	—	—	—	—	—	—
(Gain) loss on asset disposals, net	3,959	343	78	—	421	(1)	2	4,381
Operating income (loss)	159,433	55,415	2,681	—	58,096	(221)	(4,491)	212,817
Total assets	6,089,916	1,456,308	112,942	—	1,569,250	23,487	238,255	7,920,908
Capital expenditures	$ 258,040	$ 61,124	$ 10,452	$ —	$ 71,576	$ 2,493	$ 6,602	$ 338,711

Six Months Ended or as of June 30, 2010	**U.S. Cellular**	**TDS Telecom ILEC**	**TDS Telecom CLEC**	**TDS Telecom ILEC/CLEC Eliminations**	**TDS Telecom Total**	**Non-Reportable Segment (1)**	**Other Reconciling Items (2)**	**Total**
(Dollars in thousands)								
Operating revenues	$ 2,053,750	$ 304,414	$ 95,068	$ (4,771)	$ 394,711	$ 18,855	$ (12,662)	$ 2,454,654
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)	743,726	95,794	48,987	(4,478)	140,303	14,489	(949)	897,569
Selling, general and administrative expense	874,782	85,904	31,516	(293)	117,127	3,316	(12,809)	982,416
Adjusted OIBDA (3)	435,242	122,716	14,565	—	137,281	1,050	1,096	574,669
Depreciation, amortization and accretion expense	287,688	73,905	12,667	—	86,572	1,049	4,338	379,647
Loss on impairment of intangible assets	—	—	—	—	—	—	—	—
(Gain) loss on asset disposals, net	6,426	32	245	—	277	(76)	18	6,645
Operating income (loss)	141,128	48,779	1,653	—	50,432	77	(3,260)	188,377
Total assets	5,795,648	1,446,475	117,931	—	1,564,406	21,553	228,821	7,610,428
Capital expenditures	$ 255,004	$ 48,357	$ 8,590	$ —	$ 56,947	$ 704	$ 5,295	$ 317,950

(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.

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15. Supplemental Cash Flow Disclosures

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

TDS

	Six Months Ended June 30,			
	2011		**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	$	1,115	$	845
Cash disbursements for payment of taxes (2)		(60)		—
Net cash receipts from exercise of stock options and vesting of other stock awards	$	1,055	$	845

U.S. Cellular

	Six Months Ended June 30,	
	2011	**2010**
(Dollars and shares in thousands)		
Common Shares withheld (1)	120	86

Aggregate value of Common Shares withheld	$	5,940	$	3,620
Cash receipts upon exercise of stock options	$	4,764	$	1,876
Cash disbursements for payment of taxes (2)		(3,500)		(1,732)
Net cash receipts from exercise of stock options and vesting of other stock awards	$	1,264	$	144

(1) Such shares were withheld to cover the exercise price of stock options, if applicable, and required tax withholdings.