EXHIBIT 5

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Telephone and Data Systems, Inc.
Consolidated Statement of Operations

Year Ended December 31,	2013	2012	2011
(Dollars and shares in thousands, except per share amounts)			
Operating revenues	$ 4,901,236	$ 5,345,277	$ 5,180,471
Operating expenses			
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)	2,225,316	2,272,570	2,050,644
Selling, general and administrative	1,947,778	2,033,901	2,002,359
Depreciation, amortization and accretion	1,018,077	813,626	765,776
Loss on impairment of assets	-	515	-
(Gain) loss on asset disposals, net	30,841	19,741	10,952
(Gain) loss on sale of business and other exit costs, net	(300,656)	21,061	-
(Gain) loss on license sales and exchanges	(255,479)	-	(11,762)
Total operating expenses	4,665,877	5,161,414	4,817,969
Operating income	235,359	183,863	362,502
Investment and other income (expense)			
Equity in earnings of unconsolidated entities	132,714	92,867	82,538
Interest and dividend income	9,092	9,248	9,145
Gain (loss) on investments	14,547	(3,718)	24,103
Interest expense	(98,811)	(86,745)	(118,201)
Other, net	(37)	720	3,658
Total investment and other income (expense)	57,505	12,372	1,243
Income before income taxes	292,864	196,235	363,745
Income tax expense	126,043	73,582	113,503
Net income	166,821	122,653	250,242
Less: Net income attributable to noncontrolling interests, net of tax	24,894	40,792	49,676
Net income attributable to TDS shareholders	141,927	81,861	200,566
TDS Preferred dividend requirement	(49)	(50)	(50)
Net income available to common shareholders	$ 141,878	$ 81,811	$ 200,516
Basic weighted average shares outstanding	108,490	108,671	108,562
Basic earnings per share attributable to TDS shareholders	$ 1.31	$ 0.75	$ 1.85
Diluted weighted average shares outstanding	109,132	108,937	109,098
Diluted earnings per share attributable to TDS shareholders	$ 1.29	$ 0.75	$ 1.83
Dividends per share to TDS shareholders	$ 0.51	$ 0.49	$ 0.47

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

Telephone and Data Systems, Inc.
Consolidated Statement of Comprehensive Income

Year Ended December 31,	**2013**	**2012**	**2011**
(Dollars in thousands)			
Net income	$ 166,821	$ 122,653	$ 250,242
Net change in accumulated other comprehensive income			
Change in net unrealized gain on equity investments	51	49	138
Change in foreign currency translation adjustment	(34)	4	-
Change related to retirement plan			
Amounts included in net periodic benefit cost for the period			
Net actuarial gains (losses)	13,345	90	(9,625)
Amortization of prior service cost	(3,605)	(3,735)	(3,815)
Amortization of unrecognized net loss	2,452	2,517	1,934
	12,192	(1,128)	(11,506)
Change in deferred income taxes	(4,646)	1,797	5,722
Change related to retirement plan, net of tax	7,546	669	(5,784)
Net change in accumulated other comprehensive income	7,563	722	(5,646)
Comprehensive income	174,384	123,375	244,596
Less: Comprehensive income attributable to noncontrolling interest	24,894	40,792	49,676
Comprehensive income attributable to TDS shareholders	$ 149,490	$ 82,583	$ 194,920

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

Telephone and Data Systems, Inc.
Consolidated Statement of Cash Flows

Year Ended December 31,	2013	2012	2011
(Dollars in thousands)			
Cash flows from operating activities			
Net income	$ 166,821	$ 122,653	$ 250,242
Add (deduct) adjustments to reconcile net income to net cash flows from operating activities			
Depreciation, amortization and accretion	1,018,077	813,626	765,776
Bad debts expense	105,629	74,695	68,611
Stock-based compensation expense	30,338	41,871	36,837
Deferred income taxes, net	(67,150)	58,785	202,547
Equity in earnings of unconsolidated entities	(132,714)	(92,867)	(82,538)
Distributions from unconsolidated entities	127,929	84,884	92,231
Loss on impairment of assets	-	515	-
(Gain) loss on asset disposals, net	30,841	19,741	10,952
(Gain) loss on sale of business and other exit costs, net	(300,656)	21,061	-
(Gain) loss on license sales and exchanges	(255,479)	-	(11,762)
(Gain) loss on investments	(14,547)	3,718	(24,103)
Noncash interest expense	2,463	(572)	18,849
Other operating activities	612	1,393	1,067
Changes in assets and liabilities from operations			
Accounts receivable	(294,320)	(81,107)	(95,426)
Inventory	(83,536)	(29,917)	(13,382)
Accounts payable	86,028	(12,332)	29,291
Customer deposits and deferred revenues	66,460	32,981	35,457
Accrued taxes	17,388	77,458	(27,871)
Accrued interest	380	(891)	3,351
Other assets and liabilities	(9,954)	(30,523)	(4,418)
	494,610	1,105,172	1,255,711
Cash flows from investing activities			
Cash used for additions to property, plant and equipment	(883,797)	(995,517)	(971,759)
Cash paid for acquisitions and licenses	(314,570)	(163,382)	(105,508)
Cash received from divestitures	811,120	50,182	-
Cash paid for investments	-	(120,000)	(180,920)
Cash received for investments	115,000	243,444	393,246
Other investing activities	11,594	(12,796)	(1,148)
	(260,653)	(998,069)	(866,089)
Cash flows from financing activities			
Repayment of short-term debt	-	-	(32,671)
Repayment of long-term debt	(1,581)	(2,566)	(614,639)
Issuance of long-term debt	37	195,358	643,700
TDS Common Shares and Special Common Shares reissued for benefit plans, net of tax payments	9,654	(1,119)	32
U.S. Cellular Common Shares reissued for benefit plans, net of tax payments	5,784	(2,205)	1,935
Repurchase of TDS Common and Special Common Shares	(9,692)	(20,026)	(21,500)
Repurchase of U.S. Cellular Common Shares	(18,544)	(20,045)	(62,294)
Dividends paid to TDS shareholders	(55,293)	(53,165)	(48,670)
U.S. Cellular dividends paid to noncontrolling public shareholders	(75,235)	-	-
Payment of debt issuance costs	(23)	(8,242)	(21,657)
Distributions to noncontrolling interests	(3,766)	(20,856)	(16,236)
Payments to acquire additional interest in subsidiaries	(4,505)	(3,167)	-
Other financing activities	8,740	6,136	3,970
	(144,424)	70,103	(168,030)
Net increase in cash and cash equivalents	89,533	177,206	221,592
Cash and cash equivalents			
Beginning of period	740,481	563,275	341,683
End of period	$ 830,014	$ 740,481	$ 563,275

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

Telephone and Data Systems, Inc.
Consolidated Balance Sheet — Assets

December 31,	**2013**	**2012**
(Dollars in thousands)		
Current assets		
Cash and cash equivalents	$ 830,014	$ 740,481
Short-term investments	50,104	115,700
Accounts receivable		
Due from customers and agents, less allowances of $63,690 and $28,152, respectively	551,611	409,720
Other, less allowances of $1,914 and $5,263, respectively	179,503	164,608
Inventory, net	244,560	160,692
Net deferred income tax asset	106,077	43,411
Prepaid expenses	87,920	86,385
Income taxes receivable	2,397	9,625
Other current assets	35,151	32,815
	2,087,337	1,763,437
Assets held for sale	16,027	163,242
Investments		
Licenses	1,423,779	1,480,039
Goodwill	836,843	797,194
Franchise rights	123,668	-
Other intangible assets, net of accumulated amortization of $112,752 and $143,613, respectively	71,454	58,522
Investments in unconsolidated entities	301,772	179,921
Long-term investments	-	50,305
Other investments	641	824
	2,758,157	2,566,805
Property, plant and equipment		
In service and under construction	11,239,804	10,808,499
Less: Accumulated depreciation	7,361,660	6,811,233
	3,878,144	3,997,266
Other assets and deferred charges	164,482	133,150
Total assets	$ 8,904,147	$ 8,623,900

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

Telephone and Data Systems, Inc.
Consolidated Balance Sheet — Liabilities and Equity

December 31,	2013	2012
(Dollars and shares in thousands)		
Current liabilities		
Current portion of long-term debt	$ 1,646	$ 1,233
Accounts payable	496,069	377,291
Customer deposits and deferred revenues	289,445	222,345
Accrued interest	6,673	6,565
Accrued taxes	70,518	48,237
Accrued compensation	115,031	134,932
Other current liabilities	212,374	134,005
	1,191,756	924,608
Liabilities held for sale	-	19,594
Deferred liabilities and credits		
Net deferred income tax liability	862,975	862,580
Other deferred liabilities and credits	458,709	438,727
Long-term debt	1,720,074	1,721,571
Commitments and contingencies		
Noncontrolling interests with redemption features	536	493
Equity		
TDS shareholders' equity		
Series A Common and Common Shares		
Authorized 290,000 shares (25,000 Series A Common and 265,000 Common Shares)		
Issued 132,711 shares (7,166 Series A Common and 125,545 Common Shares) and 132,672 shares (7,160 Series A Common, and 125,512 Common Shares), respectively		
Outstanding 108,757 shares (7,166 Series A Common and 101,591 Common Shares) and 108,031 shares (7,160 Series A Common, and 100,871 Common Shares), respectively		
Par Value ($.01 per share) of $1,327 ($72 Series A Common and $1,255 Common Shares)	1,327	1,327
Capital in excess of par value	2,308,807	2,304,122
Treasury shares at cost:		
23,954 and 24,641 Common Shares, respectively	(721,354)	(750,099)
Accumulated other comprehensive loss	(569)	(8,132)
Retained earnings	2,529,626	2,464,318
Total TDS shareholders' equity	4,117,837	4,011,536
Preferred shares	824	825
Noncontrolling interests	551,436	643,966
Total equity	4,670,097	4,656,327
Total liabilities and equity	$ 8,904,147	$ 8,623,900

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

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

(Dollars in thousands)	TDS Shareholders: Series A Common and Common Shares	Capital in Excess of Par Value	Treasury Common Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total TDS Shareholders' Equity	Preferred Shares	Non controlling Interests	Total Equity
December 31, 2012	**$ 1,327**	**$ 2,304,122**	**$ (750,099)**	**$ (8,132)**	**$ 2,464,318**	**$ 4,011,536**	**$ 825**	**$ 643,966**	**$ 4,656,327**
Add (Deduct)									
Net income attributable to TDS shareholders	-	-	-	-	141,927	141,927	-	-	141,927
Net income attributable to noncontrolling interests classified as equity	-	-	-	-	-	-	-	24,661	24,661
Net unrealized gain (loss) on equity investments	-	-	-	51	-	51	-	-	51
Change in foreign currency translation adjustment				(34)	-	(34)	-	-	(34)
Changes related to retirement plan	-	-	-	7,546	-	7,546	-	-	7,546
TDS Common and Series A Common Share dividends	-	-	-	-	(55,244)	(55,244)	-	-	(55,244)
TDS Preferred dividend requirement	-	-	-	-	(49)	(49)	-	-	(49)
U.S. Cellular dividends paid to noncontrolling public shareholders	-	-	-	-	-	-	-	(75,235)	(75,235)
Repurchase of Preferred Shares	-	-	-	-	(5)	(5)	(1)	-	(6)
Repurchase of shares	-	-	(9,692)	-	-	(9,692)			(9,692)
Dividend reinvestment plan	-	1,619	13,647	-	(5,966)	9,300	-	-	9,300
Incentive and compensation plans	-	655	24,790	-	(15,355)	10,090	-	-	10,090
Adjust investment in subsidiaries for repurchases, issuances and other compensation plans	-	(290)	-	-	-	(290)	-	20	(270)
Stock-based compensation awards	-	14,430	-	-	-	14,430	-	-	14,430
Tax windfall (shortfall) from stock awards	-	(1,311)	-	-	-	(1,311)	-	-	(1,311)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(3,576)	(3,576)
Adjust investment in subsidiaries for noncontrolling interest purchases	-	(10,418)	-	-	-	(10,418)	-	5,370	(5,048)
Deconsolidation of partnerships	-	-	-	-	-	-	-	(43,770)	(43,770)
December 31, 2013	**$ 1,327**	**$ 2,308,807**	**$ (721,354)**	**$ (569)**	**$ 2,529,626**	**$ 4,117,837**	**$ 824**	**$ 551,436**	**$ 4,670,097**

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

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

	TDS Shareholders								
(Dollars in thousands)	**Series A Common and Common Shares**	**Capital in Excess of Par Value**	**Treasury Common Shares**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Total TDS Shareholders' Equity**	**Preferred Shares**	**Non controlling Interests**	**Total Equity**
December 31, 2011	**$ 1,326**	**$ 2,268,711**	**$ (750,921)**	**$ (8,854)**	**$ 2,451,899**	**$ 3,962,161**	**$ 830**	**$ 639,688**	**$ 4,602,679**
Add (Deduct)									
Net income attributable to TDS shareholders	-	-	-	-	81,861	81,861	-	-	81,861
Net income attributable to noncontrolling interests classified as equity	-	-	-	-	-	-	-	40,739	40,739
Net unrealized gain (loss) on equity investments	-	-	-	49	-	49	-	-	49
Change in foreign currency translation adjustment	-	-	-	4	-	4	-	-	4
Changes related to retirement plan	-	-	-	669	-	669	-	-	669
TDS Common and Series A Common Share dividends	-	-	-	-	(53,115)	(53,115)	-	-	(53,115)
TDS Preferred dividend requirement	-	-	-	-	(50)	(50)	-	-	(50)
Repurchase of Preferred Shares	-	-	-	-	(17)	(17)	(5)	-	(22)
Repurchase of shares	-	-	(20,026)	-	-	(20,026)	-	-	(20,026)
Dividend reinvestment plan	1	1,148	14,123	-	(8,349)	6,923	-	-	6,923
Incentive and compensation plans	-	444	6,725	-	(7,911)	(742)	-	-	(742)
Adjust investment in subsidiaries for repurchases, issuances and other compensation plans	-	12,572	-	-	-	12,572	-	(14,924)	(2,352)
Stock-based compensation awards	-	20,030	-	-	-	20,030	-	-	20,030
Tax windfall (shortfall) from stock awards	-	(3,179)	-	-	-	(3,179)	-	-	(3,179)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(20,856)	(20,856)
Adjust investment in subsidiaries for noncontrolling interest purchases	-	4,396	-	-	-	4,396	-	(738)	3,658
Other	-	-	-	-	-	-	-	57	57
December 31, 2012	**$ 1,327**	**$ 2,304,122**	**$ (750,099)**	**$ (8,132)**	**$ 2,464,318**	**$ 4,011,536**	**$ 825**	**$ 643,966**	**$ 4,656,327**

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

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

	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	Non controlling Interests	Total Equity
December 31, 2010	**$ 1,270**	**$ 2,107,929**	**$ (738,695)**	**$ (3,208)**	**$ 2,450,599**	**$ 3,817,895**	**$ 830**	**$ 647,013**	**$ 4,465,738**
Add (Deduct)									
Net income attributable to TDS shareholders	-	-	-	-	200,566	200,566	-	-	200,566
Net income attributable to noncontrolling interests classified as equity	-	-	-	-	-	-	-	49,505	49,505
Net unrealized gain (loss) on equity investments	-	-	-	138	-	138	-	-	138
Changes related to retirement plan	-	-	-	(5,784)	-	(5,784)	-	-	(5,784)
TDS Common, Special Common and Series A Common Share dividends	-	-	-	-	(48,620)	(48,620)	-	-	(48,620)
TDS Preferred dividend requirement	-	-	-	-	(50)	(50)	-	-	(50)
Repurchase of shares	-	-	(21,500)	-	-	(21,500)	-	-	(21,500)
Dividend reinvestment plan	-	1,087	5,260	-	(2,675)	3,672	-	-	3,672
Incentive and compensation plans	-	279	4,014	-	(3,817)	476	-	-	476
Adjust investment in subsidiaries for repurchases, issuances and other compensation plans	-	(572)	-	-	-	(572)	-	(40,961)	(41,533)
Stock-based compensation awards	-	16,654	-	-	-	16,654	-	-	16,654
Tax windfall (shortfall) from stock awards	-	(697)	-	-	-	(697)	-	-	(697)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(16,236)	(16,236)
Impact of Share Consolidation	56	144,031	-	-	(144,104)	(17)	-	-	(17)
Other	-	-	-	-	-	-	-	367	367
December 31, 2011	**$ 1,326**	**$ 2,268,711**	**$ (750,921)**	**$ (8,854)**	**$ 2,451,899**	**$ 3,962,161**	**$ 830**	**$ 639,688**	**$ 4,602,679**

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Nature of Operations

Telephone and Data Systems, Inc. ("TDS") is a diversified telecommunications company providing high-quality telecommunications services to approximately 4.8 million wireless customers and 1.1 million wireline and cable connections at December 31, 2013. TDS conducts substantially all of its wireless operations through its 84%-owned subsidiary, United States Cellular Corporation ("U.S. Cellular"). TDS provides wireline services, cable services and hosted and managed services ("HMS") through its wholly-owned subsidiary, TDS Telecommunications Corporation ("TDS Telecom").

TDS conducts printing and distribution services through its majority-owned subsidiary, Suttle-Straus, Inc. ("Suttle-Straus") and provides wireless services through its wholly-owned subsidiary, Airadigm Communications, Inc. ("Airadigm"), a Wisconsin-based service provider (collectively, the "Non-Reportable Segment"). At this time, Airadigm operates independently from U.S. Cellular. Suttle-Straus and Airadigm's financial results were not significant to TDS' operations in 2013.

Previously, TDS had reported the following reportable segments: U.S. Cellular, TDS Telecom's incumbent local exchange carrier ("ILEC"), its competitive local exchange carrier ("CLEC"), its HMS operations and the Non-Reportable Segment. As a result of recent acquisitions and changes in TDS' strategy, operations and internal reporting, TDS has reevaluated and changed its operating segments during the year ended December 31, 2013, which resulted in the following reportable segments: U.S. Cellular, TDS Telecom's Wireline, Cable and HMS operations, and the Non-Reportable Segment. The Wireline segment consists of the former ILEC and CLEC segments. The Cable segment consists of Baja Broadband, LLC ("Baja"), which was acquired in August 2013. The HMS segment remains unchanged, except that it now uses a unified brand name, OneNeck IT Solutions ("OneNeck"), as a result of the consolidation of the HMS operations. Periods presented for comparative purposes have been re-presented to conform to the revised presentation described above. All of TDS' segments operate only in the United States, except for HMS, which includes an insignificant foreign operation. See Note 18 — Business Segment Information for summary financial information on each business segment.

Principles of Consolidation

The accounting policies of TDS conform to accounting principles generally accepted in the United States of America ("GAAP") as set forth in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Unless otherwise specified, references to accounting provisions and GAAP in these notes refer to the requirements of the FASB ASC. The consolidated financial statements include the accounts of TDS, its majority-owned subsidiaries, general partnerships in which it has a majority partnership interest and variable interest entities ("VIEs") in which TDS is the primary beneficiary. Both VIE and primary beneficiary represent terms defined by GAAP.

Intercompany accounts and transactions have been eliminated.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2013 financial statement presentation. These reclassifications did not affect consolidated net income attributable to TDS shareholders, cash flows, assets, liabilities or equity for the years presented.

Business Combinations

TDS accounts for business combinations at fair value in accordance with the acquisition method. This method requires that the acquirer recognize 100% of the acquiree's assets and liabilities at their fair values on the acquisition date for all acquisitions, whether full or partial. In addition, transaction costs related to acquisitions are expensed.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (a) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and (b) the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates are involved in accounting for goodwill and indefinite-lived intangible assets, depreciation, amortization and accretion, allowance for doubtful accounts, loyalty reward points, income taxes, stock based compensation and asset retirement obligations.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term, highly liquid investments with original maturities of three months or less.

Short-Term and Long-Term Investments

At December 31, 2013 and 2012, TDS had $50.1 million and $115.7 million, respectively, in Short-term investments. At December 31, 2012, TDS had $50.3 million in Long-term investments. Short-term and Long-term investments consist primarily of U.S. Treasury Notes which are designated as held-to-maturity investments and are recorded at amortized cost in the Consolidated Balance Sheet. 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 for additional details on Short-term and Long-term investments.

Accounts Receivable and Allowance for Doubtful Accounts

U.S. Cellular's accounts receivable consist primarily of amounts owed by customers for wireless services and equipment sales, by agents for sales of equipment to them and by other wireless carriers whose customers have used U.S. Cellular's wireless systems.

TDS Telecom's accounts receivable primarily consist of amounts owed by customers for services provided, by interexchange carriers for long-distance traffic which TDS Telecom carries on its network, and by interstate and intrastate revenue pools that distribute access charges.

The allowance for doubtful accounts is the best estimate of the amount of probable credit losses related to existing accounts receivable. The allowance is estimated based on historical experience and other factors that could affect collectability. Accounts receivable balances are reviewed on either an aggregate or individual basis for collectability depending on the type of receivable. When it is probable that an account balance will not be collected, the account balance is charged against the allowance for doubtful accounts. TDS does not have any off-balance sheet credit exposure related to its customers.

The changes in the allowance for doubtful accounts during the years ended December 31, 2013, 2012 and 2011 were as follows:

(Dollars in thousands)	2013	2012	2011
Beginning balance	$ 33,415	$ 31,071	$ 35,007
Additions, net of recoveries	105,629	74,695	68,611
Deductions	(73,440)	(72,351)	(72,547)
Ending balance	$ 65,604	$ 33,415	$ 31,071

Inventory

Inventory consists primarily of wireless devices stated at the lower of cost or market, with cost determined using the first-in, first-out method and market determined by replacement costs or estimated net realizable value. TDS Telecom's materials and supplies are stated at average cost.

Fair Value Measurements

Under the provisions of GAAP, fair value is a market-based measurement and not an entity-specific measurement, based on an exchange transaction in which the entity sells an asset or transfers a liability (exit price). The provisions also establish a fair value hierarchy that contains three levels for inputs used in fair value measurements. Level 1 inputs include quoted market prices for identical assets or liabilities in active markets. Level 2 inputs include quoted market prices for similar assets and liabilities in active markets or quoted market prices for identical assets and liabilities in inactive markets. Level 3 inputs are unobservable. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. A financial instrument's level within the fair value hierarchy is not representative of its expected performance or its overall risk profile and, therefore, Level 3 assets are not necessarily higher risk than Level 2 assets or Level 1 assets.

Goodwill

TDS has Goodwill as a result of its acquisitions of wireless businesses, the acquisitions of ILEC, cable, and HMS companies and, under previous business combination guidance in effect prior to 2009, step acquisitions related to U.S. Cellular's repurchase of its common shares. Such Goodwill represents the excess of the total purchase price over the fair value of net assets acquired in these transactions.

Licenses

Licenses consist of direct and incremental costs incurred in acquiring Federal Communications Commission ("FCC") licenses to provide wireless service.

TDS has determined that wireless licenses are indefinite-lived intangible assets and, therefore, not subject to amortization based on the following factors:

- Radio spectrum is not a depleting asset.
- The ability to use radio spectrum is not limited to any one technology.
- TDS and its consolidated subsidiaries are licensed to use radio spectrum through the FCC licensing process, which enables licensees to utilize specified portions of the spectrum for the provision of wireless service.
- TDS and its consolidated subsidiaries are required to renew their FCC licenses every ten years or, in some cases, every fifteen years. To date, all of TDS' license renewal applications have been granted by the FCC. Generally, license renewal applications filed by licensees otherwise in compliance with FCC regulations are routinely granted. If, however, a license renewal application is challenged either by a competing applicant for the license or by a petition to deny the renewal application, the license will be renewed if the licensee can demonstrate its entitlement to a "renewal expectancy." Licensees are entitled to such an expectancy if they can demonstrate to the FCC that they have provided "substantial service" during their license term and have "substantially complied" with FCC rules and policies. TDS believes that it is probable that its future license renewal applications will be granted.

Franchise rights

TDS has Franchise rights as a result of its acquisition of a cable business. Franchise rights are intangible assets that provide their holder with the right to operate a business in a certain geographical location as sanctioned by the franchiser, usually a government agency. TDS has determined that Franchise rights are indefinite-lived intangible assets and, therefore, not subject to amortization because TDS expects both the renewal by the granting authorities and the cash flows generated from the Franchise rights to continue indefinitely. Cable Franchise rights are generally granted for ten year periods and may be renewed for additional terms upon approval by the granting authority. TDS anticipates that future renewals of its Franchise rights will be granted.

Goodwill, Licenses and Franchise rights Impairment Assessment

Goodwill, Licenses and Franchise rights must be assessed for impairment annually or more frequently if events or changes in circumstances indicate that such assets might be impaired. TDS performs its annual impairment assessment of Goodwill, Licenses and Franchise rights as of November 1 of each year.

TDS may first assess qualitative factors, such as company, industry and economic trends to determine whether it is necessary to perform the two-step Goodwill impairment test. If determined to be necessary, the first step compares the fair value of the reporting unit to its carrying value. If the carrying amount exceeds the fair value, the second step of the test is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of reporting unit Goodwill with the carrying amount of that Goodwill. To calculate the implied fair value of Goodwill in this second step, an enterprise allocates the fair value of the reporting unit to all of the assets and liabilities of that reporting unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value was the price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amount assigned to the assets and liabilities of the reporting unit is the implied fair value of Goodwill. If the carrying amount of Goodwill exceeds the implied fair value of Goodwill, an impairment loss is recognized for that difference.

The impairment test for an indefinite-lived intangible asset other than Goodwill may consist of first assessing qualitative factors, such as company, industry and economic trends. If determined to be necessary, the next step compares the fair value of the intangible asset to its carrying amount. If the carrying amount exceeds the fair value, an impairment loss is recognized for the difference.

Quoted market prices in active markets are the best evidence of fair value of an intangible asset or reporting unit and are used when available. If quoted market prices are not available, the estimate of fair value is based on the best information available, including prices for similar assets and the use of other valuation techniques. Other valuation techniques include present value analysis, multiples of earnings or revenues, or similar performance measures. The use of these techniques involve assumptions by management about factors that are uncertain including future cash flows, the appropriate discount rate, and other inputs. Different assumptions for these inputs could create materially different results.

U.S. Cellular

U.S. Cellular tests Goodwill for impairment at the level of reporting referred to as a reporting unit. For purposes of its impairment testing of Goodwill in 2013, U.S. Cellular identified four reporting units. The four reporting units represent four geographic groupings of operating markets, representing four geographic service areas. For purposes of its impairment testing of Goodwill in 2012, U.S. Cellular identified five reporting units. The change in reporting units resulted from the NY1 & NY2 Deconsolidation more fully described in Note 7 — Investments in Unconsolidated Entities.

A discounted cash flow approach was used to value each reporting unit for purposes of the Goodwill impairment review by using value drivers and risks specific to the current industry and economic markets. The cash flow estimates incorporated assumptions that market participants would use in their estimates of fair value. Key assumptions made in this process were the discount rate, estimated expected revenue growth rate, projected capital expenditures and the terminal growth rate.

U.S. Cellular tests Licenses for impairment at the level of reporting referred to as a unit of accounting. For purposes of its 2013 impairment testing of Licenses, U.S. Cellular separated its FCC licenses into eleven units of accounting based on geographic service areas. For purposes of its 2012 impairment testing of Licenses, U.S. Cellular separated its FCC licenses into thirteen units of accounting based on geographic service areas. The change in units of accounting resulted from (i) the Divestiture Transaction and the Mississippi Valley non-operating market license sale, both of which are more fully described in Note 5 — Acquisitions, Divestitures and Exchanges and (ii) the NY1 & NY2 Deconsolidation more fully described in Note 7 — Investments in Unconsolidated Entities. In both 2013 and 2012, seven of the units of accounting represented geographic groupings of licenses which, because they were not being utilized and, therefore, were not expected to generate cash flows from operating activities in the foreseeable future, were considered separate units of accounting for purposes of impairment testing.

U.S. Cellular estimates the fair value of built licenses for purposes of impairment testing using the build-out method. The build-out method estimates the fair value of Licenses by calculating future cash flows from a hypothetical start-up wireless company and assuming that the only assets available upon formation are the underlying Licenses. To apply this method, a hypothetical build-out of U.S. Cellular's wireless network, infrastructure, and related costs are projected based on market participant information. Calculated cash flows, along with a terminal value, are discounted to the present and summed to determine the estimated fair value.

For units of accounting which consist of unbuilt licenses, U.S. Cellular prepares estimates of fair value by reference to prices paid in recent auctions and market transactions where available. If such information is not available, the fair value of the unbuilt licenses is assumed to change by the same percentage, and in the same direction, that the fair value of built licenses measured using the build-out method changed during the period.

TDS Telecom

TDS Telecom has recorded Goodwill as a result of the acquisition of ILEC, HMS and cable businesses. For purposes of the annual impairment testing, TDS Telecom has three reporting units: one ILEC reporting unit within its Wireline reportable operating segment, one reporting unit within its HMS reportable operating segment and one reporting unit within its Cable reportable operating segment. For purposes of its annual impairment testing of Goodwill, as of November 1, 2012, TDS Telecom identified four reporting units: one reporting unit within its ILEC reportable operating segment and three reporting units within its HMS reportable operating segment. TDS Telecom's change in reporting units resulted from additional acquisitions and TDS' reevaluation of its operating segments, more fully described above.

For purposes of its impairment testing of Goodwill in 2013, TDS Telecom performed a qualitative assessment of the Cable reporting unit, which analyzed company, industry and economic trends and determined the two-step Goodwill impairment test was not necessary since it was more likely than not that the fair value was at least equal to the carrying value of the reporting unit.

The discounted cash flow approach and publicly-traded guideline company method were used to value the ILEC and HMS reporting units. The discounted cash flow approach uses value drivers and risks specific to the industry and current economic factors. The cash flow estimates incorporated assumptions that market participants would use in their estimates of fair value and may not be indicative of TDS Telecom's specific assumptions. The most significant assumptions made in this process were the revenue growth rate, discount rate, projected capital expenditures and the terminal growth rate.

The publicly-traded guideline company method develops an indication of fair value by calculating average market pricing multiples for selected publicly-traded companies using multiples of various financial measures. The developed multiples are applied to applicable financial measures of the respective reporting unit to determine fair value. Given the nature of this methodology, no specific consideration of the economic environment was considered since those factors would be inherent in the multiples used.

TDS Telecom has recorded Franchise rights as a result of the acquisition of a cable business in August 2013. TDS Telecom tests Franchise rights for impairment at a level of reporting referred to as a unit of accounting. For purposes of its impairment testing of Franchise rights in 2013, TDS Telecom identified one Cable unit of accounting. TDS Telecom performed a qualitative assessment of the Cable unit of accounting, which analyzed company, industry and economic trends and determined no further testing was necessary since it was more likely than not that the fair value of the Franchise rights was at least equal to their carrying value.

Investments in Unconsolidated Entities

Investments in unconsolidated entities consist of amounts invested in wireless and wireline entities in which TDS holds a noncontrolling interest. TDS follows the equity method of accounting for such investments 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, or for unconsolidated entities in which its ownership is greater than 50% but TDS does not have a controlling financial interest. The cost method of accounting is followed for such investments in which TDS' ownership interest is less than 20% for corporations and is less than 3% for partnerships and limited liability companies and for investments for which TDS does not have the ability to exercise significant influence.

For its equity method investments for which financial information is readily available, TDS records its equity in the earnings of the entity in the current period. For its equity method investments for which financial information is not readily available, TDS records its equity in the earnings of the entity on a one quarter lag basis.

Property, Plant and Equipment

Property, plant and equipment is stated at the original cost of construction or purchase including capitalized costs of certain taxes, payroll-related expenses, interest and estimated costs to remove the assets.

Expenditures that enhance the productive capacity of assets in service or extend their useful lives are capitalized and depreciated. Expenditures for maintenance and repairs of assets in service are charged to Cost of services and products or Selling, general and administrative expense, as applicable. Retirements and disposals of assets are recorded by removing the original cost of the asset (along with the related accumulated depreciation) from plant in service and charging it, together with net removal costs (removal costs less any applicable accrued asset retirement obligations and salvage value realized), to (Gain) loss on asset disposals, net.

Costs of developing new information systems are capitalized and amortized over their expected economic useful lives.

Depreciation

Depreciation is provided using the straight-line method over the estimated useful life of the assets, except for certain Wireline segment assets, which use the group depreciation method. The group depreciation method develops a depreciation rate based on the average useful life of a specific group of assets, rather than each asset individually. TDS depreciates leasehold improvement assets associated with leased properties over periods ranging from one to thirty years; such periods approximate the shorter of the assets' economic lives or the specific lease terms.

Useful lives of specific assets are reviewed throughout the year to determine if changes in technology or other business changes would warrant accelerating the depreciation of those specific assets. Due to the Divestiture Transaction more fully described in Note 5 — Acquisitions, Divestitures and Exchanges, U.S. Cellular changed the useful lives of certain assets in 2013 and 2012. Other than the Divestiture Transaction, there were no other material changes to useful lives of property, plant and equipment in 2013, 2012 or 2011. TDS Telecom did not materially change the useful lives of its property, plant and equipment in 2013, 2012 or 2011.

Impairment of Long-lived Assets

TDS reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the assets might be impaired. If necessary, the impairment test for tangible long-lived assets is a two-step process. The first step compares the carrying value of the asset (or asset group) with the estimated undiscounted cash flows over the remaining asset (or asset group) life. If the carrying value of the asset (or asset group) is greater than the undiscounted cash flows, the second step of the test is performed to measure the amount of impairment loss. The second step compares the carrying value of the asset to its estimated fair value. If the carrying value exceeds the estimated fair value (less cost to sell), an impairment loss is recognized for the difference.

U.S. Cellular has one asset group for purposes of assessing property, plant and equipment for impairment based on the fact that the individual operating markets are reliant on centrally operated data centers, mobile telephone switching offices, network operations center and wide-area network. As a result, U.S. Cellular operates a single integrated national wireless network, and the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities represent cash flows generated by this single interdependent network.

TDS Telecom has five asset groups for purposes of assessing property, plant and equipment for impairment based on their integrated network, assets and operations. The cash flows generated by each of these groups is the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.

Quoted market prices in active markets are the best evidence of fair value of a tangible long-lived asset and are used when available. If quoted market prices are not available, the estimate of fair value is based on the best information available, including prices for similar assets and the use of other valuation techniques. A present value analysis of cash flow scenarios is often the best available valuation technique. The use of this technique involves assumptions by management about factors that are uncertain including future cash flows, the appropriate discount rate and other inputs. Different assumptions for these inputs could create materially different results.

Agent Liabilities

U.S. Cellular has relationships with agents, which are independent businesses that obtain customers for U.S. Cellular. At December 31, 2013 and 2012, U.S. Cellular had accrued $121.3 million and $88.2 million, respectively, for amounts due to agents. This amount is included in Other current liabilities in the Consolidated Balance Sheet.

Other Assets and Deferred Charges

Other assets and deferred charges include underwriters' and legal fees and other charges related to issuing various borrowing instruments and other long-term agreements, and are amortized over the respective term of each instrument. The amounts for deferred charges included in the Consolidated Balance Sheet at December 31, 2013 and 2012, are shown net of accumulated amortization of $41.4 million and $30.0 million, respectively.

Asset Retirement Obligations

U.S. Cellular operates cell sites, retail stores and office spaces in its operating markets. A majority of these sites, stores and office spaces are leased. Most of these leases contain terms which require or may require U.S. Cellular to return the leased property to its original condition at the lease expiration date.

TDS Telecom owns poles, cable and wire and certain buildings and leases data center and office space and property used for housing central office switching equipment and fiber cable. These assets and leases often have removal or remediation requirements associated with them. For example, TDS Telecom's poles, cable and wire are often located on property that is not owned by TDS Telecom and are often subject to the provisions of easements, permits, or leasing arrangements. Pursuant to the terms of the permits, easements, or leasing arrangements, TDS Telecom is often required to remove these assets and return the property to its original condition at some defined date in the future.

TDS accounts for asset retirement obligations by recording the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. At the time the liability is incurred, TDS records a liability equal to the net present value of the estimated cost of the asset retirement obligation and increases the carrying amount of the related long-lived asset by an equal amount. The liability is accreted to its present value over a period ending with the estimated settlement date of the respective asset retirement obligation. The carrying amount of the long-lived asset is depreciated over the useful life of the asset. Upon settlement of the obligation, any difference between the cost to retire the asset and the recorded liability (including accretion of discount) is recognized in the Consolidated Statement of Operations.

Treasury Shares

Common Shares repurchased by TDS are recorded at cost as treasury shares and result in a reduction of equity. Treasury shares are reissued as part of TDS' stock-based compensation programs. When treasury shares are reissued, TDS determines the cost using the first-in, first-out cost method. The difference between the cost of the treasury shares and reissuance price is included in Capital in excess of par value or Retained earnings.

Revenue Recognition

U.S. Cellular

Revenues from wireless operations consist primarily of:

- Charges for access, airtime, roaming, long distance, data and other value added services provided to U.S. Cellular's retail customers and to end users through third-party resellers;
- Charges to carriers whose customers use U.S. Cellular's systems when roaming;
- Sales of equipment and accessories;
- Amounts received from the Universal Service Fund ("USF") in states where U.S. Cellular has been designated an Eligible Telecommunications Carrier ("ETC"); and
- Redemptions of loyalty reward points for products or services.

Revenues related to wireless services and other value added services are recognized as services are rendered. Revenues billed in advance or in arrears of the services being provided are estimated and deferred or accrued, as appropriate.

Revenues from sales of equipment and accessories are recognized when title and risk of loss passes to the agent or end-user customer.

U.S. Cellular allocates revenue to each element of multiple element service offerings using the relative selling price method. Under this method, arrangement consideration, which consists of the amounts billed to the customer net of any cash-based discounts, is allocated to each element on the basis of its relative selling price on a stand-alone basis. Such stand-alone selling price is determined in accordance with the following hierarchy:

- U.S. Cellular-specific objective evidence of stand-alone selling price, if available; otherwise
- Third-party evidence of selling price, if it is determinable; otherwise
- A best estimate of stand-alone selling price.

U.S. Cellular estimates stand-alone selling prices of the elements of its service offerings as follows:

- Wireless services – Based on the actual selling price U.S. Cellular offers when such plan is sold on a stand-alone basis, or if the plan is not sold on a stand-alone basis, U.S. Cellular's estimate of the price of such plan based on similar plans that are sold on a stand-alone basis.
- Wireless devices – Based on the selling price of the respective wireless device when it is sold on a stand-alone basis.
- Phone Replacement – Based on U.S. Cellular's estimate of the price of this service if it were sold on a stand-alone basis, which was calculated by estimating the cost of this program plus a reasonable margin.
- Loyalty reward points – By estimating the retail price of the products and services for which points may be redeemed and dividing such amount by the number of loyalty points required to receive such products and services. This is calculated on a weighted average basis and requires U.S. Cellular to estimate the percentage of loyalty points that will be redeemed for each product or service.

U.S. Cellular follows the deferred revenue method of accounting for its loyalty reward program. Under this method, revenue allocated to loyalty reward points is deferred. Revenue is recognized at the time of customer redemption or when such points have been depleted via an account maintenance charge. U.S. Cellular periodically reviews and revises the redemption and depletion rates as appropriate based on history and related future expectations. As of December 31, 2013, U.S. Cellular estimated loyalty reward points breakage based on actuarial estimates and recorded a $7.4 million change in estimate, which reduced Customer deposits and deferred revenues in the Consolidated Balance Sheet and increased Operating revenues in the Consolidated Statement of Operations.

In the fourth quarter of 2013, U.S. Cellular issued loyalty reward points with a value of $43.5 million as a loyalty bonus in recognition of the inconvenience experienced by customers during U.S. Cellular's recent billing system conversion. The value of the loyalty bonus reduced Operating revenues in the Consolidated Statement of Operations and increased Customer deposits and deferred revenues in the Consolidated Balance Sheet.

As of December 31, 2013 and 2012, U.S. Cellular had deferred revenue related to loyalty reward points outstanding of $116.2 million and $56.6 million, respectively. These amounts are recorded in Customer deposits and deferred revenues (a current liability account) in the Consolidated Balance Sheet, as customers may redeem their reward points within the current period.

Cash-based discounts and incentives, including discounts to customers who pay their bills through the use of on-line bill payment methods, are recognized as a reduction of Operating revenues concurrently with the associated revenue, and are allocated to the various products and services in the bundled offering based on their respective relative selling price.

In order to provide better control over wireless device quality, U.S. Cellular sells wireless devices to agents. U.S. Cellular pays rebates to agents at the time an agent activates a new customer or retains an existing customer in a transaction involving a wireless device. U.S. Cellular accounts for these rebates by reducing revenues at the time of the wireless device sale to the agent rather than at the time the agent activates a new customer or retains a current customer. Similarly, U.S. Cellular offers certain wireless device sales rebates and incentives to its retail customers and records the revenue net of the corresponding rebate or incentive. The total potential rebates and incentives are reduced by U.S. Cellular's estimate of rebates that will not be redeemed by customers based on historical experience of such redemptions.

GAAP requires that activation fees charged with the sale of equipment and service be allocated to the equipment and service based upon the relative selling prices of each item. Device activation fees charged at agent locations, where U.S. Cellular does not also sell a wireless device to the customer, are deferred and recognized over the average device life. Device activation fees charged as a result of handset sales at Company-owned retail stores are recognized at the time the handset is delivered to the customer.

ETC revenues recognized in the reporting period represent the amounts which U.S. Cellular is entitled to receive for such period, as determined and approved in connection with U.S. Cellular's designation as an ETC in various states.

TDS Telecom

Revenue from Wireline operations consists primarily of charges for:

- Providing telephone voice services;
- Compensation for carrying long-distance voice and data traffic on TDS Telecom's local telephone networks, including compensation from inter-state and intra-state regulatory recovery mechanisms;
- Leasing, selling, installing and maintaining customer premise equipment;
- Providing broadband services;
- Providing hosted Voice over Internet Protocol ("VoIP") solutions and other hosted services to business;
- Reselling long-distance services; and
- Selling Internet Protocol Television ("IPTV") and satellite video service.

Cable operating revenues consist of charges for:

- Providing basic and pay-per-view video services;
- Providing broadband services; and
- Providing Internet Protocol ("IP") telephone voice services.

HMS operating revenues consist of charges for:

- Providing colocation;
- Providing dedicated hosting;
- Providing hosted application management and cloud computing services; and
- Planning, engineering, procurement, installation, sales and management of IT infrastructure hardware solutions.

Revenues related to services are recognized as services are rendered. Activation fees charged are deferred and recognized over the average customer's service period. Revenues related to products are recognized when title and risk of loss transfer from TDS Telecom to the customer.

TDS Telecom offers some products and services that are provided by third-party vendors, primarily satellite video service through its Wireline business, and third-party equipment maintenance contracts through its HMS business. TDS records these service revenues on a net basis.

TDS Telecom offers discounts and incentives to customers who receive certain groupings of products and services (bundled arrangements). These discounts are recognized concurrently with the associated revenue and are allocated to the various products and services in the bundled offering based on their relative selling prices.

Discounts and cash incentives offered by TDS Telecom that are given directly to customers are recorded in the financial statements as a reduction of Operating revenues.

TDS Telecom earns Wholesale revenues in its Wireline segment as a result of its participation in revenue pools with other telephone companies for interstate revenue and for certain intrastate revenue. Such pools are funded by long distance revenue and/or access charges within state jurisdictions and by access charges in the interstate jurisdiction. Wholesale revenues earned through the various pooling processes are recorded based on estimates following the National Exchange Carrier Association's rules as approved by the FCC.

Amounts Collected from Customers and Remitted to Governmental Authorities

TDS records amounts collected from customers and remitted to governmental authorities net within a tax liability account if the tax is assessed upon the customer and TDS merely acts as an agent in collecting the tax on behalf of the imposing governmental authority. If the tax is assessed upon TDS, then amounts collected from customers as recovery of the tax are recorded in Operating revenues and amounts remitted to governmental authorities are recorded in Selling, general and administrative expenses in the Consolidated Statement of Operations. The amounts recorded gross in revenues that are billed to customers and remitted to governmental authorities totaled $131.0 million, $152.4 million and $141.3 million for 2013, 2012 and 2011, respectively.

Advertising Costs

TDS expenses advertising costs as incurred. Advertising costs totaled $212.8 million, $240.9 million and $267.7 million in 2013, 2012 and 2011, respectively.

Income Taxes

TDS files a consolidated federal income tax return. Deferred taxes are computed using the liability method, whereby deferred tax assets are recognized for future deductible temporary differences and operating loss carryforwards, and deferred tax liabilities are recognized for future taxable temporary differences. Both deferred tax assets and liabilities are measured using the tax rates anticipated to be in effect when the temporary differences reverse. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. TDS evaluates income tax uncertainties, assesses the probability of the ultimate settlement with the applicable taxing authority and records an amount based on that assessment.

Stock-Based Compensation

TDS has established long-term incentive plans, dividend reinvestment plans, a Non-Employee Director compensation plan, and previously had an employee stock purchase plan before this was terminated in the fourth quarter of 2011. See Note 16 — Stock-based Compensation for additional information. The dividend reinvestment plan of TDS is not considered a compensatory plan and, therefore, recognition of compensation costs for grants made under this plan is not required. All other plans are considered compensatory plans; therefore, recognition of compensation costs for grants made under these plans is required.

TDS values its share-based payment transactions using a Black-Scholes valuation model. Stock-based compensation cost recognized during the period is based on the portion of the share-based payment awards that are ultimately expected to vest. Accordingly, stock-based compensation cost recognized has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Pre-vesting forfeitures and expected life are estimated based on historical experience related to similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. TDS believes that its historical experience provides the best estimates of future pre-vesting forfeitures and future expected life. The expected volatility assumption is based on the historical volatility of TDS' common stock over a period commensurate with the expected life. The dividend yield assumption is equal to the dividends declared in the most recent year as a percentage of the share price on the date of grant. The risk-free interest rate assumption is determined using the U.S. Treasury Yield Curve Rate with a term length that approximates the expected life of the stock options.

Beginning with grants in 2013, newly granted TDS stock option awards cliff vest in three years. TDS stock option awards granted prior to 2013 and U.S. Cellular stock option awards vest on an annual basis in three separate tranches. Compensation cost is recognized on a straight-line basis over the requisite service period, which was generally the vesting period, for each separate vesting portion of the awards as if the awards were, in-substance, multiple awards (graded vesting attribution method).

Operating Leases

TDS is a party to various lease agreements for office space, retail stores, cell sites, certain telecommunication and data center facilities and equipment that are accounted for as operating leases. Certain leases have renewal options and/or fixed rental increases. Renewal options that are reasonably assured of exercise are included in determining the lease term. TDS accounts for certain operating leases that contain rent abatements, lease incentives and/or fixed rental increases by recognizing lease revenue and expense on a straight-line basis over the lease term.

Recently Issued Accounting Pronouncements

On July 18, 2013, the FASB issued Accounting Standards Update 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryfoward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11"). ASU 2013-11 addresses the presentation of an unrecognized tax benefit when a net operating loss carryforward or tax credit carryforward exists. In such event, an unrecognized tax benefit, or portion of an unrecognized tax benefit, would be presented in the Consolidated Balance Sheet as a reduction to deferred tax assets unless the net operating loss carryforward or tax credit carryforward at the reporting date is not available under the tax law of the applicable jurisdiction. TDS is required to adopt the provisions of ASU 2013-11 effective January 1, 2014. The adoption of ASU 2013-11 is not expected to have a significant impact on TDS' financial position or results of operations.

NOTE 2 FAIR VALUE MEASUREMENTS

As of December 31, 2013 and 2012, 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.

	Level within the Fair Value Hierarchy	December 31, 2013		December 31, 2012	
		Book Value	Fair Value	Book Value	Fair Value
(Dollars in thousands)					
Cash and cash equivalents	1	$ 830,014	$ 830,014	$ 740,481	$ 740,481
Short-term investments					
U.S. Treasury Notes	1	50,104	50,104	115,700	115,700
Long-term investments					
U.S. Treasury Notes	1	-	-	50,305	50,339
Long-term debt					
Retail	1	1,178,250	1,048,010	1,178,250	1,238,204
Institutional and other	2	537,454	512,635	538,657	589,435

Short-term investments are designated as held-to-maturity investments and recorded at amortized cost in the Consolidated Balance Sheet. Long-term debt excludes capital lease obligations and the 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 "Retail" Long-term debt was estimated using market prices for TDS' 7.0% Senior Notes, 6.875% Senior Notes, 6.625% Senior Notes and 5.875% Senior Notes, and U.S. Cellular's 6.95% Senior Notes. TDS' institutional debt includes U.S. Cellular's 6.7% Senior Notes which are traded over the counter. TDS estimated the fair value of its institutional and other debt through a discounted cash flow analysis using the interest rates or estimated yield to maturity for each borrowing, which ranged from 0.00% to 7.35% at December 31, 2013 and 0.00% to 6.09% at December 31, 2012.

As of December 31, 2013 and 2012, TDS did not have nonfinancial assets or liabilities that required the application of fair value accounting for purposes of reporting such amounts in the Consolidated Balance Sheet.

NOTE 3 INCOME TAXES

TDS' income taxes balances at December 31, 2013 and 2012 were as follows:

December 31,	2013	2012
(Dollars in thousands)		
Federal income taxes (payable)	$ (20,288)	$ (5,455)
State income taxes receivable	2,397	9,625

Income tax expense (benefit) is summarized as follows:

Year Ended December 31,	2013	2012	2011
(Dollars in thousands)			
Current			
Federal	$ 181,579	$ 9,705	$ (94,627)
State	11,614	5,092	5,583
Deferred			
Federal	(65,970)	61,113	214,722
State	(1,180)	(2,328)	(12,175)
	$ 126,043	$ 73,582	$ 113,503

A reconciliation of TDS' income tax expense computed at the statutory rate to the reported income tax expense, and the statutory federal income tax expense rate to TDS' effective income tax expense rate is as follows:

Year Ended December 31,	2013		2012		2011	
	Amount	Rate	Amount	Rate	Amount	Rate
(Dollars in millions)						
Statutory federal income tax expense and rate	$ 102.5	35.0 %	$ 68.7	35.0 %	$ 127.3	35.0 %
State income taxes, net of federal benefit (1)	10.5	3.6	8.4	4.2	(20.9)	(5.7)
Effect of noncontrolling interests	(1.0)	(0.4)	-	-	(3.0)	(0.8)
Gains (losses) on investments and sale of assets (2)	14.9	5.1	-	-	-	-
Correction of deferred taxes (3)	-	-	(6.1)	(3.1)	6.0	1.6
Other differences, net	(0.9)	(0.3)	2.6	1.4	4.1	1.1
Total income tax expense and rate	$ 126.0	43.0 %	$ 73.6	37.5 %	$ 113.5	31.2 %

(1) Net state income taxes include changes in the valuation allowance. The 2011 benefit primarily relates to the ability to utilize net operating losses as a result of state income tax law changes. In addition, state tax benefits related to the settlement of state tax audits and the expiration of statutes of limitations are included in 2013, 2012 and 2011.

(2) Represents 2013 tax expense related to the NY1 & NY2 Deconsolidation and the Divestiture Transaction.

(3) TDS recorded immaterial adjustments to correct deferred tax balances in 2012 and 2011 related to tax basis and law changes that related to periods prior to 2012 and 2011, respectively.

TDS' current Net deferred income tax asset totaled $106.1 million and $43.4 million at December 31, 2013 and 2012, respectively, and primarily represents the deferred tax effects of the deferred revenue for the loyalty reward points, the allowance for doubtful accounts on customer receivables, and accrued liabilities.

TDS' noncurrent deferred income tax assets and liabilities at December 31, 2013 and 2012 and the temporary differences that gave rise to them were as follows:

December 31, (Dollars in thousands)	2013	2012
Noncurrent deferred tax assets		
Net operating loss ("NOL") carryforwards	$ 121,651	$ 121,111
Stock-based compensation	50,563	53,330
Compensation and benefits - other	12,681	32,484
Deferred rent	20,500	16,862
Other	32,444	32,654
	237,839	256,441
Less valuation allowance	(70,609)	(69,108)
Total noncurrent deferred tax assets	167,230	187,333
Noncurrent deferred tax liabilities		
Property, plant and equipment	637,090	666,201
Licenses/intangibles	251,578	250,860
Partnership investments	136,581	127,331
Other	4,956	5,521
Total noncurrent deferred tax liabilities	1,030,205	1,049,913
Net noncurrent deferred income tax liability	$ 862,975	$ 862,580

At December 31, 2013, TDS and certain subsidiaries had $1,951.4 million of state NOL carryforwards (generating a $100.7 million deferred tax asset) available to offset future taxable income. The state NOL carryforwards expire between 2014 and 2033. Certain subsidiaries had federal NOL carryforwards (generating a $21.0 million deferred tax asset) available to offset their future taxable income. The federal NOL carryforwards expire between 2018 and 2033. A valuation allowance was established for certain state NOL carryforwards and federal NOL carryforwards since it is more likely than not that a portion of such carryforwards will expire before they can be used.

A summary of TDS' deferred tax asset valuation allowance is as follows:

(Dollars in thousands)	2013	2012	2011
Balance at January 1,	$ 70,502	$ 49,686	$ 71,014
Charged to income tax expense	1,954	5,268	(28,511)
Charged to other accounts	6,608	15,548	7,183
Balance at December 31,	$ 79,064	$ 70,502	$ 49,686

As of December 31, 2013, the valuation allowance reduced current deferred tax assets by $8.5 million and noncurrent deferred tax assets by $70.6 million.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(Dollars in thousands)	2013	2012	2011
Unrecognized tax benefits balance at January 1,	$ 28,420	$ 28,841	$ 34,002
Additions for tax positions of current year	6,388	7,027	4,369
Additions for tax positions of prior years	1,858	1,673	171
Reductions for tax positions of prior years	(467)	(7)	(1,973)
Reductions for settlements of tax positions	(1,337)	(21)	(976)
Reductions for lapses in statutes of limitations	(4,472)	(9,093)	(6,752)
Unrecognized tax benefits balance at December 31,	$ 30,390	$ 28,420	$ 28,841

Unrecognized tax benefits are included in Accrued taxes and Other deferred liabilities and credits in the Consolidated Balance Sheet. If these benefits were recognized, they would have reduced income tax expense in 2013, 2012 and 2011 by $19.8 million, $18.6 million and $18.2 million, respectively, net of the federal benefit from state income taxes. As of December 31, 2013, TDS does not expect unrecognized tax benefits to change significantly in the next twelve months.

TDS recognizes accrued interest and penalties related to unrecognized tax benefits in Income tax expense. The amounts charged to Income tax expense related to interest and penalties resulted in an expense of $0.7 million in 2013, and a benefit of $1.5 million and

$2.5 million in 2012 and 2011, respectively. Net accrued interest and penalties were $12.4 million and $13.2 million at December 31, 2013 and 2012, respectively.

TDS and its subsidiaries file federal and state income tax returns. TDS remains subject to federal income tax audits for the tax years after 2011. With only a few exceptions, TDS is no longer subject to state income tax audits for years prior to 2009.

NOTE 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 outstanding during the period 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.

The amounts used in computing earnings per common share and the effects of potentially dilutive securities on the weighted average number of common shares were as follows:

Year Ended December 31, **(Dollars and shares in thousands, except earnings per share)**	**2013**	**2012**	**2011**
Basic earnings per share attributable to TDS shareholders:			
Net income available to common shareholders of TDS used in basic earnings per share	$ 141,878	$ 81,811	$ 200,516
Adjustments to compute diluted earnings:			
Noncontrolling interest adjustment	(1,058)	(640)	(989)
Preferred dividend adjustment	49	-	49
Net income attributable to common shareholders of TDS used in diluted earnings per share	$ 140,869	$ 81,171	$ 199,576
Weighted average number of shares used in basic earnings per share			
Common Shares	101,339	101,532	101,471
Series A Common Shares	7,151	7,139	7,091
Total	108,490	108,671	108,562
Effects of dilutive securities:			
Stock options	209	11	262
Restricted stock units	375	255	214
Preferred shares	58	-	60
Weighted average number of shares used in diluted earnings per share	109,132	108,937	109,098
Basic earnings per share attributable to TDS shareholders	$ 1.31	$ 0.75	$ 1.85
Diluted earnings per share attributable to TDS shareholders	$ 1.29	$ 0.75	$ 1.83

On June 25, 2013, U.S. Cellular paid a special cash dividend of $5.75 per share, for an aggregate amount of $482.3 million, to all holders of U.S. Cellular Common Shares and Series A Common Shares as of June 11, 2013. Outstanding U.S. Cellular stock options and restricted stock unit awards were equitably adjusted for the special cash dividend. The impact of such adjustments on the earnings per share calculation was fully reflected for all years presented.

Certain 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 excluded is shown in the table below.

Year Ended December 31,	**2013**	**2012**	**2011**
(Shares in thousands)			
Stock options	7,120	8,130	3,785
Restricted stock units	171	154	141
Preferred shares	-	57	-

NOTE 5 ACQUISITIONS, DIVESTITURES AND EXCHANGES

TDS assesses its business 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 and wireless spectrum; and telecommunications, cable, HMS or other possible 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.

Acquisitions did not have a material impact on TDS' consolidated financial statements for the periods presented and pro forma results, assuming acquisitions had occurred at the beginning of each period presented, would not be materially different from the results reported.

Divestiture Transaction

On November 6, 2012, U.S. Cellular entered into a Purchase and Sale Agreement with subsidiaries of Sprint Corp., fka Sprint Nextel Corporation ("Sprint"). Pursuant to the Purchase and Sale Agreement, on May 16, 2013, U.S. Cellular transferred customers and certain PCS license spectrum to Sprint in U.S. Cellular's Chicago, central Illinois, St. Louis and certain Indiana/Michigan/Ohio markets ("Divestiture Markets") in consideration for $480 million in cash. The Purchase and Sale Agreement also contemplated certain other agreements, together with the Purchase and Sale Agreement collectively referred to as the "Divestiture Transaction."

U.S. Cellular retained other assets and liabilities related to the Divestiture Markets, including network assets, retail stores and related equipment, and other buildings and facilities. The transaction did not affect spectrum licenses held by U.S. Cellular or variable interest entities ("VIEs") that were not used in the operations of the Divestiture Markets. Pursuant to the Purchase and Sale Agreement, U.S. Cellular and Sprint also entered into certain other agreements, including customer and network transition services agreements, which require U.S. Cellular to provide customer, billing and network services to Sprint for a period of up to 24 months after the May 16, 2013 closing date. Sprint will reimburse U.S. Cellular for providing such services at an amount equal to U.S. Cellular's estimated costs, including applicable overhead allocations. In addition, these agreements require Sprint to reimburse U.S. Cellular up to $200 million (the "Sprint Cost Reimbursement") for certain network decommissioning costs, network site lease rent and termination costs, network access termination costs, and employee termination benefits for specified engineering employees. It is estimated that up to $175 million of the Sprint Cost Reimbursement will be recorded in (Gain) loss on sale of business and other exit costs, net and up to $25 million of the Sprint Cost Reimbursement will be recorded in Cost of services and products in the Consolidated Statement of Operations. For the year ended December 31, 2013, $10.6 million of the Sprint Cost Reimbursement had been received and recorded in Cash received from divestitures in the Consolidated Statement of Cash Flows.

Financial impacts of the Divestiture Transaction are classified in the Consolidated Statement of Operations within Operating income. The table below describes the amounts TDS has recognized and expects to recognize in the Consolidated Statement of Operations between the date the Purchase and Sale Agreement was signed and the end of the transition services period.

(Dollars in thousands)	Expected Period of Recognition	Projected Range		Cumulative Amount Recognized as of December 31, 2013	Actual Amount Recognized Year Ended December 31, 2013	Actual Amount Recognized Three Months Ended December 31, 2013	Actual Amount Recognized Three Months and Year Ended December 31, 2012
(Gain) loss on sale of business and other exit costs, net							
Proceeds from Sprint							
Purchase price	2013	$ (480,000)	$ (480,000)	$ (480,000)	$ (480,000)	$ -	$ -
Sprint Cost Reimbursement	2013-2014	(120,000)	(175,000)	(47,641)	(47,641)	(43,420)	-
Net assets transferred	2013	160,073	160,073	160,073	160,073	-	-
Non-cash charges for the write-off and write-down of property under construction and related assets	2012-2014	10,000	14,000	10,675	3	(51)	10,672
Employee related costs including severance, retention and outplacement	2012-2014	12,000	18,000	14,262	1,653	(809)	12,609
Contract termination costs	2012-2014	110,000	160,000	59,584	59,525	40,744	59
Transaction costs	2012-2014	5,000	6,000	5,565	4,428	347	1,137
Total (Gain) loss on sale of business and other exit costs, net		$ (302,927)	$ (296,927)	$ (277,482)	$ (301,959)	$ (3,189)	$ 24,477
Depreciation, amortization and accretion expense							
Incremental depreciation, amortization and accretion, net of salvage values	2012-2014	200,000	225,000	198,571	178,513	44,513	20,058
(Increase) decrease in Operating income		$ (102,927)	$ (71,927)	$ (78,911)	$ (123,446)	$ 41,324	$ 44,535

Incremental depreciation, amortization and accretion, net of salvage values represents anticipated amounts to be recorded in the specified time periods as a result of a change in estimate for the remaining useful life and salvage value of certain assets and a change in estimate which accelerated the settlement dates of certain asset retirement obligations in conjunction with the Divestiture Transaction. Specifically, for the years indicated, this is estimated depreciation, amortization and accretion recorded on assets and liabilities of the Divestiture Markets after the November 6, 2012 transaction date less depreciation, amortization and accretion that would have been recorded on such assets and liabilities in the normal course, absent the Divestiture Transaction.

As a result of the transaction, TDS recognized the following amounts in the Consolidated Balance Sheet:

(Dollars in thousands)	**Balance December 31, 2012**	**Year Ended December 31, 2013** Costs Incurred	Cash Settlements (1)	Adjustments (2)	**Balance December 31, 2013**
Accrued compensation					
Employee related costs including severance, retention, outplacement	$ 12,305	$ 6,853	$ (11,905)	$ (5,200)	$ 2,053
Other current liabilities					
Contract termination costs	$ 30	$ 22,675	$ (8,713)	$ -	$ 13,992
Other deferred liabilities and credits					
Contract termination costs	$ -	$ 34,283	$ (3,434)	$ -	$ 30,849

(Dollars in thousands)	**Balance November 6, 2012**	**Year Ended December 31, 2012** Costs Incurred	Cash Settlements (1)	Adjustments (2)	**Balance December 31, 2012**
Accrued compensation					
Employee related costs including severance, retention, outplacement	$ -	$ 12,609	$ (304)	$ -	$ 12,305
Other current liabilities					
Contract termination costs	$ -	$ 59	$ (29)	$ -	$ 30

(1) Cash settlement amounts are included in either the Net income or changes in Other assets and liabilities line items as part of Cash flows from operating activities on the Consolidated Statement of Cash Flows.

(2) Adjustment to liability represents changes to previously accrued amounts.

Other Acquisitions, Divestitures and Exchanges

On October 4, 2013, TDS acquired 100% of the outstanding shares of MSN Communications, Inc. ("MSN") for $43.6 million in cash. MSN is an information technology solutions provider whose service offerings complement the HMS portfolio of products. MSN is included in the HMS segment for reporting purposes.

On October 4, 2013, U.S. Cellular sold the majority of its Mississippi Valley non-operating market license ("unbuilt license") for $308.0 million. At the time of the sale, a $250.6 million gain was recorded in (Gain) loss on license sales and exchanges in the Consolidated Statement of Operations.

On August 14, 2013 U.S. Cellular entered into a definitive agreement to sell the majority of its St. Louis area unbuilt license for $92.3 million. This transaction is subject to regulatory approval and is expected to close in the first quarter of 2014. In accordance with GAAP, the book value of the license has been accounted for and disclosed as "held for sale" in the Consolidated Balance Sheet at December 31, 2013.

On August 1, 2013, TDS Telecom acquired substantially all of the assets of Baja for $264.1 million in cash. Baja is a cable company that operates in markets primarily in Colorado, New Mexico, Texas, and Utah and offers video, broadband and voice services, which complement the TDS Telecom portfolio of products. Baja is included in the Cable segment for reporting purposes.

On November 20, 2012, U.S. Cellular acquired seven 700 MHz licenses covering portions of Illinois, Michigan, Minnesota, Missouri, Nebraska, Oregon, Washington and Wisconsin for $57.7 million.

On August 15, 2012, U.S. Cellular acquired four 700 MHz licenses covering portions of Iowa, Kansas, Missouri, Nebraska and Oklahoma for $34.0 million.

On June 11, 2012, TDS paid $46.1 million in cash to purchase 100% of the outstanding shares of Vital Support Systems, LLC ("Vital"). Vital is an information technology solutions provider whose service offerings complement the HMS portfolio of products. Vital is included in the HMS segment for reporting purposes.

On March 14, 2012, U.S. Cellular sold the majority of the assets and liabilities of a wireless market for $49.8 million in cash. At the time of the sale, a $4.2 million gain was recorded in (Gain) loss on sale of business and other exit costs, net in the Consolidated Statement of Operations. On May 9, 2011, pursuant to certain required terms of the partnership agreement, U.S. Cellular paid $24.6 million in cash to purchase the remaining ownership interest in this wireless market in which it previously held a 49% noncontrolling interest. In connection with the acquisition of the remaining interest, 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 (loss) on investments in the Consolidated Statement of Operations in 2011.

On September 30, 2011, U.S. Cellular completed an exchange whereby U.S. Cellular received eighteen 700 MHz spectrum licenses covering portions of Idaho, Illinois, Indiana, Kansas, Nebraska, Oregon and Washington in exchange for two PCS spectrum licenses covering portions of Illinois and Indiana. The exchange of licenses provided U.S. Cellular with additional spectrum to meet anticipated future capacity and coverage requirements in several of its markets. No cash, customers, network assets, other assets or liabilities were included in the exchange. As a result of this transaction, TDS recognized a gain of $11.8 million, representing the difference between the fair value of the licenses received, calculated using a market approach valuation method, and the carrying value of the licenses surrendered. This gain was recorded in (Gain) loss on license sales and exchanges in the Consolidated Statement of Operations for the year ended December 31, 2011.

On September 23, 2011, pursuant to a plan of reorganization in the United States Bankruptcy Court for the Western District of Wisconsin, TDS acquired 63% of Airadigm and a note for $15.5 million in satisfaction of loans made by TDS to Airadigm and interests in Airadigm acquired by TDS from third-parties. Airadigm is a Wisconsin-based wireless service provider. The noncontrolling interest was valued at $0.4 million based on an income approach valuation method. TDS recognized a gain of $12.7 million as a result of the transaction which was recorded in Gain (loss) on investments in the Consolidated Statement of Operations for year ended December 31, 2011. Pursuant to the plan of reorganization, at the acquisition date Airadigm owed $32.7 million to the FCC. This obligation was paid in September 2011. On March 13, 2013, TDS acquired the remaining 37% ownership interest in Airadigm for $3.5 million. At this time, Airadigm operates independently from U.S. Cellular. Airadigm's financial results are included in "Non-Reportable segment" for reporting purposes.

On July 1, 2011, TDS paid $95.9 million in cash to purchase 100% of the outstanding shares of OneNeck IT Services Corporation ("OneNeck IT Services"). OneNeck IT Services is a provider of hosted application management and managed IT hosting services to middle market businesses, which complements the HMS portfolio of products. OneNeck IT Services is included in the HMS segment for reporting purposes.

TDS' acquisitions in 2013 and 2012 and the allocation of the purchase price for these acquisitions were as follows:

(Dollars in thousands)	Purchase Price (1)	Allocation of Purchase Price: Goodwill (2)	Licenses	Franchise Rights	Intangible Assets Subject to Amortization (3)	Net Tangible Assets/(Liabilities)
2013						
U.S. Cellular licenses	$ 16,540	$ -	$ 16,540	$ -	$ -	$ -
TDS Telecom cable business	264,069	61,712	-	123,668	11,542	67,147
TDS Telecom HMS business	43,557	15,203	-	-	17,183	11,171
Total	$ 324,166	$ 76,915	$ 16,540	$ 123,668	$ 28,725	$ 78,318
2012						
U.S. Cellular licenses	$ 122,690	$ -	$ 122,690	$ -	$ -	$ -
TDS Telecom HMS business	46,126	20,364	-	-	20,300	5,462
Total	$ 168,816	$ 20,364	$ 122,690	$ -	$ 20,300	$ 5,462

(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) The entire amount of Goodwill acquired in 2013 and 2012 was amortizable for income tax purposes.

(3) At the date of acquisition, the weighted average amortization period for Intangible Assets Subject to Amortization acquired was as follows: 2013: 2.9 years for TDS Telecom cable business and 10 years for TDS Telecom HMS business; 2012: 8.1 years for TDS Telecom HMS business.

At December 31, 2013 and 2012, the following assets and liabilities were classified in the Consolidated Balance Sheet as "Assets held for sale" and "Liabilities held for sale":

(Dollars in thousands)	Current Assets	Licenses	Goodwill	Property, Plant and Equipment	Loss on Assets Held for Sale (1)	Total Assets Held for Sale	Liabilities Held for Sale (2)
2013							
Divestiture of Spectrum Licenses	$ -	$ 16,027	$ -	$ -	$ -	$ 16,027	$ -
2012							
Divestiture Transaction	$ -	$ 140,599	$ 19,474	$ -	$ -	$ 160,073	$ 19,594
Bolingbrook Customer Care Center (3)	-	-	-	4,274	(1,105)	3,169	-
Total	$ -	$ 140,599	$ 19,474	$ 4,274	$ (1,105)	$ 163,242	$ 19,594

(1) Loss on assets held for sale was recorded in (Gain) loss on sale of business and other exit costs, net in the Consolidated Statement of Operations.

(2) Liabilities held for sale primarily consisted of Customer deposits and deferred revenues.

(3) Effective January 1, 2013, U.S. Cellular transferred its Bolingbrook Customer Care Center operations to an existing third party vendor.

NOTE 6 INTANGIBLE ASSETS

Changes in TDS' Licenses, Goodwill and Franchise rights are presented below. See Note 5 — Acquisitions, Divestitures and Exchanges for information regarding transactions which affected Licenses, Goodwill and Franchise rights during the periods. Previously under GAAP, 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. Consequently, U.S. Cellular's Licenses and Goodwill on a stand-alone basis do not equal the TDS consolidated Licenses and Goodwill related to U.S. Cellular.

Licenses

(Dollars in thousands)	U.S. Cellular	Wireline	Non-Reportable Segment	Total
Balance December 31, 2012	$ 1,462,019	$ 2,800	$ 15,220	$ 1,480,039
Acquisitions	16,540	-	-	16,540
Divestitures	(59,419)	-	-	(59,419)
Transferred to Assets held for sale	(16,027)	-	-	(16,027)
NY1 & NY2 Deconsolidation	(592)	-	-	(592)
Other	3,238	-	-	3,238
Balance December 31, 2013	$ 1,405,759	$ 2,800	$ 15,220	$ 1,423,779
Balance December 31, 2011	$ 1,475,994	$ 2,800	$ 15,220	$ 1,494,014
Acquisitions	122,690	-	-	122,690
Transferred to Assets held for sale	(140,599)	-	-	(140,599)
Other	3,934	-	-	3,934
Balance December 31, 2012	$ 1,462,019	$ 2,800	$ 15,220	$ 1,480,039

Goodwill

(Dollars in thousands)	U.S. Cellular	Wireline	Cable	HMS	Non-Reportable Segment	Total
Assigned value at time of acquisition	$ 622,681	$ 449,898	$ -	$ 103,627	$ 4,317	$ 1,180,523
Accumulated impairment losses in prior periods	(333,900)	(29,440)	-	-	(515)	(363,855)
Transferred to Assets held for sale	(19,474)	-	-	-	-	(19,474)
Balance December 31, 2012	269,307	420,458	-	103,627	3,802	797,194
Acquisitions	-	-	61,712	15,203	-	76,915
Divestitures	(135)	-	-	-	-	(135)
NY1 & NY2 Deconsolidation	(37,131)	-	-	-	-	(37,131)
Balance December 31, 2013	$ 232,041	$ 420,458	$ 61,712	$ 118,830	$ 3,802	$ 836,843
Assigned value at time of acquisition	$ 622,681	$ 450,156	$ -	$ 83,263	$ 4,317	$ 1,160,417
Accumulated impairment losses in prior periods	(333,900)	(29,440)	-	-	-	(363,340)
Balance December 31, 2011	288,781	420,716	-	83,263	4,317	797,077
Acquisitions	-	-	-	20,364	-	20,364
Impairment (1)	-	-	-	-	(515)	(515)
Transferred to Assets held for sale	(19,474)	-	-	-	-	(19,474)
Other	-	(258)	-	-	-	(258)
Balance December 31, 2012	$ 269,307	$ 420,458	$ -	$ 103,627	$ 3,802	$ 797,194

(1) During the second quarter of 2012, a sustained decrease in TDS' stock price resulted in a triggering event, as defined by GAAP, requiring an interim impairment test of Licenses and Goodwill as of June 30, 2012. Based on this test, TDS concluded that the entire amount of Goodwill related to Airadigm was impaired resulting in an impairment loss of $0.5 million and no impairment of Licenses.

During the third quarter of 2013, TDS determined that an interim Goodwill impairment test was required for TDS Telecom's ILEC and HMS reporting units. The fair value of each reporting unit exceeded its respective carrying value, and accordingly no Goodwill impairment resulted.

Franchise rights

(Dollars in thousands)	Cable
Balance December 31, 2012	$ -
Acquisitions	123,668
Balance December 31, 2013	$ 123,668

NOTE 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 as shown in the following table:

December 31,	2013	2012
(Dollars in thousands)		
Equity method investments:		
Capital contributions, loans, advances and adjustments	$ 132,629	$ 21,543
Cumulative share of income	1,186,900	1,050,618
Cumulative share of distributions	(1,033,087)	(907,509)
	286,442	164,652
Cost method investments	15,330	15,269
Total investments in unconsolidated entities	$ 301,772	$ 179,921

Equity in earnings of unconsolidated entities totaled $132.7 million, $92.9 million and $82.5 million in 2013, 2012 and 2011, respectively; of those amounts, TDS' investment in the Los Angeles SMSA Limited Partnership ("LA Partnership") contributed $78.4 million, $67.2 million and $55.3 million in 2013, 2012 and 2011, respectively. TDS held a 5.5% ownership interest in the LA Partnership throughout and at the end of each of these years.

The following tables, which are based on information provided in part by third parties, summarize the combined assets, liabilities and equity, and the combined results of operations of TDS' equity method investments:

December 31,	2013	2012
(Dollars in thousands)		
Assets		
Current	$ 520,804	$ 477,673
Due from affiliates	408,735	298,707
Property and other	2,080,436	1,951,887
	$ 3,009,975	$ 2,728,267
Liabilities and Equity		
Current liabilities	$ 355,167	$ 353,044
Deferred credits	89,198	84,672
Long-term liabilities	31,605	33,856
Long-term capital lease obligations	707	405
Partners' capital and shareholders' equity	2,533,298	2,256,290
	$ 3,009,975	$ 2,728,267

Year Ended December 31,	2013	2012	2011
(Dollars in thousands)			
Results of Operations			
Revenues	$ 6,239,200	$ 5,825,150	$ 5,540,220
Operating expenses	4,492,372	4,381,731	4,301,758
Operating income	1,746,828	1,443,419	1,238,462
Other income, net	4,019	7,190	960
Net income	$ 1,750,847	$ 1,450,609	$ 1,239,422

NY1 & NY2 Deconsolidation

U.S. Cellular holds a 60.00% interest in St. Lawrence Seaway RSA Cellular Partnership ("NY1") and a 57.14% interest in New York RSA 2 Cellular Partnership ("NY2") (together with NY1, the "Partnerships"). The remaining interests in the Partnerships are held by Cellco Partnership d/b/a Verizon Wireless ("Verizon Wireless"). The Partnerships are operated by Verizon Wireless under the Verizon Wireless brand. Prior to April 3, 2013, because U.S. Cellular owned a greater than 50% interest in each of these Partnerships and based on U.S. Cellular's rights under the Partnership Agreements, TDS consolidated the financial results of these Partnerships in accordance with GAAP.

On April 3, 2013, U.S. Cellular entered into an agreement relating to the Partnerships. The agreement amends the Partnership Agreements in several ways which provide Verizon Wireless with substantive participating rights that allow Verizon Wireless to make decisions that are in the ordinary course of business of the Partnerships and which are significant to directing and executing the activities of the business. Accordingly, as required by GAAP, TDS deconsolidated the Partnerships effective as of April 3, 2013 and thereafter reported them as equity method investments in its consolidated financial statements ("NY1 & NY2 Deconsolidation"). After the NY1 & NY2 Deconsolidation, TDS retained the same ownership percentages in the Partnerships and will continue to report the same percentages of income from the Partnerships, which will be recorded in Equity in earnings of unconsolidated entities in the Consolidated Statement of Operations. In addition to the foregoing described arrangements, TDS and U.S. Cellular have certain other arm's length, ordinary business relationships with Verizon Wireless and its affiliates.

In accordance with GAAP, as a result of the NY1 & NY2 Deconsolidation, TDS' interest in the Partnerships was reflected in Investments in unconsolidated entities at a fair value of $114.8 million as of April 3, 2013. Recording TDS' interest in the Partnerships required allocation of the excess of fair value over book value to customer lists, licenses, a favorable contract and goodwill of the Partnerships. Amortization expense related to customer lists and the favorable contract will be recognized over their respective useful lives and is included in Equity in earnings of unconsolidated entities in the Consolidated Statement of Operations. In addition, TDS recognized a non-cash pre-tax gain of $14.5 million in the second quarter of 2013. The gain was recorded in Gain (loss) on investments in the Consolidated Statement of Operations.

The Partnerships were valued using a discounted cash flow approach and a publicly-traded guideline company method. The discounted cash flow approach uses value drivers and risks specific to the industry and current economic factors and incorporates assumptions that market participants would use in their estimates of fair value and may not be indicative of TDS specific assumptions. The most significant assumptions made in this process were the revenue growth rate (shown as a simple average in the table below), the terminal revenue growth rate, discount rate and capital expenditures. The assumptions were as follows:

Key assumptions	
Average expected revenue growth rate (next ten years)	2.0 %
Terminal revenue growth rate (after year ten)	2.0 %
Discount rate	10.5 %
Capital expenditures as a percentage of revenue	14.9-18.8%

The publicly-traded guideline company method develops an indication of fair value by calculating average market pricing multiples for selected publicly-traded companies using multiples of: Revenue and Earnings before Interest, Taxes, and Depreciation and Amortization (EBITDA). The developed multiples were applied to applicable financial measures of the Partnerships to determine fair value. The discounted cash flow approach and publicly-traded guideline company method were weighted to arrive at the total fair value of the Partnerships.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

U.S. Cellular's Property, plant and equipment in service and under construction, and related accumulated depreciation and amortization, as of December 31, 2013 and 2012 were as follows:

December 31,	Useful Lives (Years)	2013	2012
(Dollars in thousands)			
Land	N/A	$ 36,266	$ 33,947
Buildings	20	304,272	341,852
Leasehold and land improvements	1-30	1,197,520	1,188,720
Cell site equipment	6-25	3,306,575	3,100,916
Switching equipment	1-8	1,161,976	1,155,114
Office furniture and equipment	3-5	539,248	535,656
Other operating assets and equipment	5-25	92,456	128,290
System development	3-7	962,698	631,184
Work in process	N/A	116,501	362,749
		7,717,512	7,478,428
Accumulated depreciation and amortization		(4,860,992)	(4,455,840)
		$ 2,856,520	$ 3,022,588

U.S. Cellular's depreciation and amortization expense totaled $791.1 million, $597.7 million and $565.1 million in 2013, 2012 and 2011, respectively. As a result of the Divestiture Transaction, U.S. Cellular recognized incremental depreciation and amortization in 2012 and 2013. See Note 5 – Acquisitions, Divestitures and Exchanges for additional information.

TDS Telecom's (including Wireline, Cable, and HMS) Property, plant and equipment in service and under construction, and related accumulated depreciation, as of December 31, 2013 and 2012 were as follows:

December 31,	**Useful Lives (Years)**	**2013**	**2012**
(Dollars in thousands)			
Land	N/A	$ 12,794	$ 9,004
Buildings	5-40	148,800	147,177
Cable and wire	15-35	1,523,123	1,445,270
Network electronic equipment	3-12	1,229,941	1,171,461
Office furniture and equipment	5-10	74,507	71,887
Other equipment	5-12	94,438	85,486
System development	3-7	230,416	196,185
Work in process	N/A	88,614	87,043
		3,402,633	3,213,513
Accumulated depreciation and amortization		(2,417,999)	(2,279,325)
		$ 984,634	$ 934,188

The provision for certain Wireline companies' depreciation as a percentage of depreciable property was 5.3% in 2013, 5.6% in 2012 and 5.7% in 2011. TDS Telecom's depreciation and amortization expense related to Property, plant and equipment totaled $182.6 million, $177.3 million and $168.2 million in 2013, 2012 and 2011, respectively.

Corporate and other Property, plant and equipment in service and under construction, and related accumulated depreciation, as of December 31, 2013 and 2012 were as follows:

December 31,	**2013**	**2012**
(Dollars in thousands)		
Property, plant and equipment	$ 119,659	$ 116,558
Accumulated depreciation and amortization	(82,669)	(76,068)
Total	$ 36,990	$ 40,490

Corporate and other fixed assets consist of assets at the TDS corporate offices, Suttle-Straus and Airadigm. Corporate and other depreciation and amortization expense related to Property, plant and equipment totaled $10.7 million, $10.3 million and $8.3 million in 2013, 2012 and 2011, respectively.

In 2013, 2012 and 2011, (Gain) loss on asset disposals, net included charges of $30.8 million, $19.7 million and $11.0 million, respectively, related to disposals of assets, trade-ins of older assets for replacement assets and other retirements of assets from service in the normal course of business.

NOTE 9 ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are included in Other deferred liabilities and credits and Other current liabilities in the Consolidated Balance Sheet.

In 2013 and 2012, U.S. Cellular and TDS Telecom performed a review of the assumptions and estimated costs related to asset retirement obligations. The results of the reviews (identified as "Revisions in estimated cash outflows") and other changes in asset retirement obligations during 2013 and 2012, including the Divestiture Transaction, were as follows:

(Dollars in thousands)	U.S. Cellular	TDS Telecom	Other	TDS Consolidated
Balance December 31, 2012	$ 179,607	$ 69,969	$ 4,034	$ 253,610
Additional liabilities accrued	635	257	-	892
Revisions in estimated cash outflows	6,268	(2,562)	-	3,706
Acquisition of assets	-	3,410	-	3,410
Disposition of assets (1)	(3,534)	(577)	-	(4,111)
Accretion expense (2)	12,592	4,898	241	17,731
Balance December 31, 2013 (3)	$ 195,568	$ 75,395	$ 4,275	$ 275,238
Balance December 31, 2011	$ 143,402	$ 65,209	$ 3,806	$ 212,417
Additional liabilities accrued	5,578	367	-	5,945
Revisions in estimated cash outflows (4)	22,588	-	-	22,588
Disposition of assets	(2,674)	(298)	-	(2,972)
Accretion expense (2)	10,713	4,691	228	15,632
Balance December 31, 2012	$ 179,607	$ 69,969	$ 4,034	$ 253,610

(1) Included $2.0 million of incremental disposition costs related to the Divestiture Transaction in 2013.

(2) Included $1.1 million and $0.2 million of incremental accretion related to the Divestiture Transaction in 2013 and 2012, respectively.

(3) In 2013, as a result of the accelerated settlement dates of certain asset retirement obligations related to the Divestiture Transaction, TDS reclassified $37.7 million of its asset retirement obligations from Other deferred liabilities and credits to Other current liabilities.

(4) Included increases of $14.9 million as a result of changes in expected settlement dates related to the Divestiture Transaction in 2012.

NOTE 10 DEBT

Revolving Credit Facilities

At December 31, 2013, TDS and U.S. Cellular had revolving credit facilities available for general corporate purposes. Amounts under the revolving credit facilities may be borrowed, repaid and reborrowed from time to time until maturity. Neither TDS nor U.S. Cellular borrowed under their current or previous revolving credit facilities in 2013, 2012 or 2011 except for letters of credit.

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.

The maturity date of any borrowings under the TDS and U.S. Cellular revolving credit facilities would accelerate in the event of a change in control.

The following table summarizes the terms of such revolving credit facilities as of December 31, 2013:

(Dollars in millions)	TDS	U.S. Cellular
Maximum borrowing capacity	$ 400.0	$ 300.0
Letters of credit outstanding (1)	$ 0.3	$ 17.6
Amount borrowed	$ -	$ -
Amount available for use	$ 399.7	$ 282.4
Borrowing rate: One-month London Interbank Offered Rate ("LIBOR") plus contractual spread (2)	1.67 %	1.67 %
LIBOR	0.17 %	0.17 %
Contractual spread	1.50 %	1.50 %
Range of commitment fees on amount available for use (3)		
Low	0.13 %	0.13 %
High	0.30 %	0.30 %
Agreement date	December 2010	December 2010
Maturity date	December 2017	December 2017
Fees incurred attributable to the Revolving Credit Facility are as follows:		
Fees incurred as a percent of Maximum borrowing capacity for 2013	0.21 %	0.25 %
Fees incurred, amount		
2013	$ 0.9	$ 0.8
2012	$ 1.3	$ 1.1
2011	$ 1.5	$ 1.2

(1) In June 2013, U.S. Cellular provided $17.4 million in letters of credit to the FCC in connection with U.S. Cellular's winning bids in Auction 901. See Note 19 — Supplemental Cash Flow Disclosures for additional information on Auction 901.

(2) Borrowings under the revolving credit facility bear interest at LIBOR plus a contractual spread based on TDS' or U.S. Cellular's credit rating or, at TDS' or U.S. Cellular's option, an alternate "Base Rate" as defined in the revolving credit agreement. TDS and U.S. Cellular may select a borrowing period of either one, two, three or six months (or other period of twelve months or less if requested by TDS or U.S. Cellular and approved by the lenders). If TDS or U.S. Cellular provides notice of intent to borrow less than three business days in advance of a borrowing, interest on borrowing is at the Base Rate plus the contractual spread.

(3) The revolving credit facility has commitment fees based on the unsecured senior debt ratings assigned to TDS and U.S. Cellular by certain ratings agencies.

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 December 31, 2013 with all covenants and other requirements set forth in the revolving credit facilities.

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 agreement. Pursuant to this subordination agreement, (a) any consolidated funded indebtedness from U.S. Cellular to TDS will be unsecured and (b) any (i) consolidated funded indebtedness from U.S. Cellular to TDS (other than "refinancing indebtedness" as defined in the subordination agreement) in excess of $105,000,000, and (ii) refinancing indebtedness in excess of $250,000,000, will be subordinated and made junior in right of payment to the prior payment in full of obligations to the lenders under U.S. Cellular's revolving credit agreement. As of December 31, 2013, U.S. Cellular had no outstanding consolidated funded indebtedness or refinancing indebtedness that was subordinated to the revolving credit agreement pursuant to the subordination agreement.

At December 31, 2013, TDS had recorded $6.1 million of issuance costs related to the revolving credit facilities which is included in Other assets and deferred charges in the Consolidated Balance Sheet.

Long-term debt as of December 31, 2013 and 2012 was as follows:

December 31, (Dollars in thousands)	Issuance date	Maturity date	Call date	2013	2012
TDS:					
Unsecured Senior Notes					
6.625%	March 2005	March 2045	March 2010	$ 116,250	$ 116,250
6.875%	November 2010	November 2059	November 2015	225,000	225,000
7.0%	March 2011	March 2060	March 2016	300,000	300,000
5.875%	November 2012	December 2061	December 2017	195,000	195,000
Purchase contract at 6.0%	October 2001	October 2021		1,097	1,097
Total Parent				837,347	837,347
Subsidiaries:					
U.S. Cellular -					
Unsecured Senior Notes					
6.7%	December 2003 and June 2004	December 2033	December 2003	544,000	544,000
Less: 6.7% Unamortized discount				(11,551)	(11,806)
				532,449	532,194
6.95%	May 2011	May 2060	May 2016	342,000	342,000
Obligation on capital leases				3,749	4,756
TDS Telecom -					
Rural Utilities Service (“RUS”) and other notes				749	844
Obligation on capital leases				779	-
Non-Reportable Segment -					
Long-term notes, 3.7% to 4.8%		Through 2016		4,612	5,663
Obligation on capital leases				35	-
Total Subsidiaries				884,373	885,457
Total long-term debt				$ 1,721,720	$ 1,722,804
Long-term debt, current				$ 1,646	$ 1,233
Long-term debt, noncurrent				$ 1,720,074	$ 1,721,571

TDS may redeem its callable notes and U.S. Cellular may redeem its 6.95% Senior Notes, in whole or in part at any time after the respective call date, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest. U.S. Cellular may redeem the 6.7% Senior 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 and 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.

Interest on the notes is payable quarterly on Senior Notes outstanding at December 31, 2013, with the exception of U.S. Cellular's 6.7% note in which interest is payable semi-annually.

Capitalized debt issuance costs for Unsecured Senior Notes totaled $44.3 million and are included in Other assets and deferred charges (a long-term asset account). These costs are amortized over the life of the notes using the effective interest method.

The annual requirements for principal payments on long-term debt are approximately $1.6 million, $1.3 million, $3.1 million, $0.2 million and $0.2 million for the years 2014 through 2018, respectively.

The covenants associated with TDS and its subsidiaries’ long-term debt obligations, among other things, restrict TDS’ ability, subject to certain exclusions, to incur additional liens, enter into sale and leaseback transactions, and sell, consolidate or merge assets.

TDS’ long-term debt 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.

NOTE 11 EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

TDS sponsors a qualified noncontributory defined contribution pension plan. The plan provides benefits for the employees of TDS Corporate, TDS Telecom and U.S. Cellular. Under this plan, pension costs are calculated separately for each participant and are funded annually. Total pension costs were $16.2 million, $18.4 million and $17.5 million in 2013, 2012 and 2011, respectively. In addition, TDS sponsors a defined contribution retirement savings plan ("401(k)") plan. Total costs incurred from TDS' contributions to the 401(k) plan were $24.8 million, $25.0 million and $22.1 million in 2013, 2012 and 2011, respectively.

TDS also sponsors an unfunded nonqualified deferred supplemental executive retirement plan for certain employees to offset the reduction of benefits caused by the limitation on annual employee compensation under the tax laws.

Other Post-Retirement Benefits

TDS sponsors a defined benefit post-retirement plan that provides medical benefits and that covers most of the employees of TDS Corporate, TDS Telecom and the Wireline subsidiaries of TDS Telecom. The plan is contributory, with retiree contributions adjusted annually.

The following amounts are included in Accumulated other comprehensive loss in the Consolidated Balance Sheet before affecting such amounts for income taxes:

December 31,	2013	2012
(Dollars in thousands)		
Net prior service costs	$ 18,833	$ 22,438
Net actuarial loss	(20,713)	(36,510)
	$ (1,880)	$ (14,072)

The estimated net actuarial loss and prior service cost gain for the postretirement benefit plans that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost during 2014 are $2.4 million and $3.6 million, respectively.

The following amounts are included in Comprehensive income in the Consolidated Statement of Comprehensive Income:

Year Ended December 31, 2013	Before-Tax	Deferred Income Tax Benefit (Expense)	Net-of-Tax
(Dollars in thousands)			
Net actuarial gains (losses)	$ 13,345	$ (5,086)	$ 8,259
Amortization of prior service costs	(3,605)	1,374	(2,231)
Amortization of actuarial losses	2,452	(934)	1,518
Total gains (losses) recognized in Comprehensive income	$ 12,192	$ (4,646)	$ 7,546

Year Ended December 31, 2012	Before-Tax	Deferred Income Tax Benefit (Expense)	Net-of-Tax
(Dollars in thousands)			
Net actuarial gains (losses)	$ 90	$ (143)	$ (53)
Amortization of prior service costs	(3,735)	5,950	2,215
Amortization of actuarial losses	2,517	(4,010)	(1,493)
Total gains (losses) recognized in Comprehensive income	$ (1,128)	$ 1,797	$ 669

The following table reconciles the beginning and ending balances of the benefit obligation and the fair value of plan assets for the other post-retirement benefit plans.

December 31,	**2013**	**2012**
(Dollars in thousands)		
Change in benefit obligation		
Benefit obligation at beginning of year	$ 54,568	$ 50,113
Service cost	1,348	1,197
Interest cost	2,137	2,297
Actuarial (gain) loss	(9,437)	3,179
Prescription drug subsidy	-	542
Benefits paid	(2,474)	(2,760)
Benefit obligation at end of year	46,142	54,568
Change in plan assets		
Fair value of plan assets at beginning of year	45,047	41,267
Actual return (loss) on plan assets	6,973	6,264
Employer contribution	197	276
Benefits paid	(2,474)	(2,760)
Fair value of plan assets at end of year	49,743	45,047
Funded status	$ 3,601	$ (9,521)

Employee contributions are included with Benefits paid in the table above. The funded status identified above is recorded as a component of Other assets and deferred charges in TDS' Consolidated Balance Sheet as of December 31, 2013 and Other deferred liabilities and credits in TDS' Consolidated Balance Sheet as of December 31, 2012.

The following table sets forth by level within the fair value hierarchy the plans' assets at fair value, as of December 31, 2013 and 2012. See Note 1 — Summary of Significant Accounting Policies and Recent Accounting Pronouncements for definitions of the levels in the fair value hierarchy.

December 31, 2013				
(Dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds				
Bond	$ 12,697	$ -	$ -	$ 12,697
International equity	9,876	-	-	9,876
Money market	1,798	-	-	1,798
US large cap	20,861	-	-	20,861
US small cap	4,500	-	-	4,500
Other	-	11	-	11
Total plan assets at fair value	$ 49,732	$ 11	$ -	$ 49,743

December 31, 2012				
(Dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds				
Bond	$ 11,285	$ -	$ -	$ 11,285
International equity	8,868	-	-	8,868
Money market	1,983	-	-	1,983
US large cap	18,823	-	-	18,823
US small cap	4,074	-	-	4,074
Other	-	14	-	14
Total plan assets at fair value	$ 45,033	$ 14	$ -	$ 45,047

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. A financial instrument's level within the fair value hierarchy is not representative of its expected performance or its overall risk profile, and therefore Level 3 assets are not necessarily higher risk than Level 2 assets or Level 1 assets.

Mutual funds are valued based on the closing price reported on the active market on which the individual securities are traded. The investment strategy for each type of mutual fund is identified below:

Bond - The funds seek to achieve a maximum total return, consistent with preservation of capital and prudent investment management by investing in a wide spectrum of fixed income instruments including bonds, debt securities and other similar instruments issued by government and private-sector entities.

International equity - The funds seek to provide long-term capital appreciation by investing in the stocks of companies located outside the United States that are considered to have the potential for above-average capital appreciation.

Money market - The fund seeks as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity by investing in a diversified portfolio of high-quality, dollar-denominated short-term debt securities.

US large cap - The funds seek to track the performance of several benchmark indices that measure the investment return of large-capitalization stocks. The funds attempt to replicate the indices by investing substantially all of their assets in the stocks that make up the various indices in approximately the same proportion as the weighting in the indices.

US small cap - The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks. The fund attempts to replicate the index by investing substantially all of its assets in the stocks that make up the index in approximately the same proportion as the weighting in the index.

The following table summarizes how plan assets are invested.

		Allocation of Plan Assets at December 31,	
Investment Category	**Target Asset Allocation**	**2013**	**2012**
U.S. equities	50 %	51.0 %	50.8 %
International equities	20 %	19.9 %	19.7 %
Debt securities	30 %	29.1 %	29.5 %

The post-retirement benefit fund engages multiple asset managers to ensure proper diversification of the investment portfolio within each asset category. The investment objective is to meet or exceed the rate of return of a performance index comprised of 50% Dow Jones U.S. Total Stock Market Index, 20% FTSE All World (excluding U.S.) Stock Index, and 30% Barclays Capital Aggregate Bond Index. The three-year and five-year average rates of return for TDS' post-retirement benefit fund are 10.59% and 14.19%, respectively.

The post-retirement benefit fund does not hold any debt or equity securities issued by TDS, U.S. Cellular or any related parties.

TDS is not required to set aside current funds for its future retiree health and life insurance benefits. The decision to contribute to the plan assets is based upon several factors, including the funded status of the plan, market conditions, alternative investment opportunities, tax benefits and other circumstances. In accordance with applicable income tax regulations, total accumulated contributions to fund the costs of future retiree medical benefits are restricted to an amount not to exceed 25% of the total accumulated contributions to the trust. An additional contribution equal to a reasonable amortization of the past service cost may be made without regard to the 25% limitation. TDS has not determined whether it will make a contribution to the plan in 2014.

Net periodic benefit cost recorded in the Consolidated Statement of Operations includes the following components:

Year Ended December 31,	**2013**	**2012**	**2011**
(Dollars in thousands)			
Service cost	$ 1,348	$ 1,197	$ 1,116
Interest cost	2,137	2,297	2,368
Expected return on plan assets	(3,065)	(2,995)	(3,496)
Amortization of prior service costs (1)	(3,605)	(3,735)	(3,815)
Amortization of actuarial losses (2)	2,452	2,517	1,934
Net post-retirement cost	$ (733)	$ (719)	$ (1,893)

(1) Based on straight-line amortization over the average time remaining before active employees become fully eligible for plan benefits.

(2) Based on straight-line amortization over the average time remaining before active employees retire.

The following assumptions were used to determine benefit obligations and net periodic benefit cost:

December 31,	**2013**	**2012**
Benefit obligations		
Discount rate	5.00 %	4.00 %
Net periodic benefit cost		
Discount rate	4.00 %	4.70 %
Expected return on plan assets	7.00 %	7.50 %

The discount rate for 2013 and 2012 was determined using a hypothetical Aa spot yield curve represented by a series of annualized individual spot discount rates from six months to 99 years. The spot rate curve was derived from a direct calculation of the implied forward rate curve based on the included bond cash flows. This yield curve, when populated with projected cash flows that represent the expected timing and amount of TDS plan benefit payments, produces a single effective interest discount rate that is used to measure the plan's liabilities.

The expected rate of return was determined using the target asset allocation for the TDS plan and rate of return expectations for each asset class.

The measurement date for actuarial determination was December 31, 2013. For measurement purposes, the annual rate of increase in the per capita cost of covered health care benefits was assumed for 2013 to be 7.5% for plan participants aged 65 and above, and 7.9% for participants under age 65. For all participants the 2013 annual rate of increase is expected to decrease to 5.0% by 2021. The 2012 expected rate of increase was 7.3% for plan participants aged 65 and above, and 8.1% for participants under age 65, decreasing to 5.0% for all participants by 2020.

A 1% increase or decrease in assumed health care cost trend rates would have the following effects as of and for the year ended December 31, 2013:

	One Percent	
	Increase	**Decrease**
(Dollars in thousands)		
Effect on total service and interest cost components	$ 18	$ (17)
Effect on post-retirement benefit obligation	$ 301	$ (281)

The following estimated future benefit payments, which reflect expected future service, are expected to be paid:

Year		Estimated Future Post-Retirement Benefit Payments
(Dollars in thousands)		
2014	$	2,082
2015		2,059
2016		2,143
2017		2,117
2018		2,138
2019-2023		13,294

NOTE 12 COMMITMENTS AND CONTINGENCIES

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"). In July 2013, U.S. Cellular implemented B/OSS, pursuant to an updated Statement of Work dated June 29, 2012. Total payments to Amdocs related to this implementation are estimated to be approximately $183.9 million (subject to certain potential adjustments) over the period from commencement of the SLMA through the first half of 2014. As of December 31, 2013, $136.8 million had been paid to Amdocs.

Lease Commitments

TDS and its subsidiaries have leases for certain plant facilities, office space, retail store sites, cell sites, data centers and data-processing equipment which are accounted for as operating leases. Certain leases have renewal options and/or fixed rental increases. Renewal options that are reasonably assured of exercise are included in determining the lease term. Any rent abatements or lease incentives, in addition to fixed rental increases, are included in the calculation of rent expense and calculated on a straight-line basis over the defined lease term.

As of December 31, 2013, future minimum rental payments required under operating leases and rental receipts expected under operating leases that have noncancellable lease terms in excess of one year were as follows:

		Operating Leases Future Minimum Rental Payments		Operating Leases Future Minimum Rental Receipts
(Dollars in thousands)				
2014	$	175,140	$	45,911
2015		153,338		36,536
2016		131,670		25,993
2017		109,733		17,083
2018		91,275		6,478
Thereafter		849,015		227
Total	$	1,510,171	$	132,228

For 2013, 2012 and 2011, rent expense for noncancellable long-term leases was $187.8 million, $204.1 million and $187.4 million, respectively; and rent expense under cancellable short-term leases was $15.4 million, $10.4 million and $9.0 million, respectively.

Rent revenue totaled $45.7 million, $41.6 million and $39.2 million in 2013, 2012 and 2011, respectively.

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 $0.3 million and $1.7 million with respect to legal proceedings and unasserted claims as of December 31, 2013 and 2012, 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.

Apple iPhone Products Purchase Commitment

In March 2013, U.S. Cellular entered into an agreement with Apple to purchase certain minimum quantities of Apple iPhone products over a three-year period beginning in November 2013. Based on current forecasts, TDS estimates that the remaining contractual purchase commitment as of December 31, 2013 is approximately $950 million. At this time, TDS expects to meet its contractual commitment with Apple.

NOTE 13 VARIABLE INTEREST ENTITIES (VIEs)

TDS consolidates variable interest entities in which it has a controlling financial interest and is the primary beneficiary. A controlling financial interest will have both of the following characteristics: (a) the power to direct the VIE activities that most significantly impact economic performance and (b) the obligation to absorb the VIE losses and right to receive benefits that are significant to the VIE. TDS reviews these criteria initially at the time it enters into agreements and subsequently when reconsideration events occur.

Consolidated VIEs

As of December 31, 2013, TDS holds a variable interest in and consolidates the following VIEs under GAAP:

- Aquinas Wireless L.P. (“Aquinas Wireless”); and
- King Street Wireless L.P. (“King Street Wireless”) and King Street Wireless, Inc., the general partner of King Street Wireless.

The power to direct the activities that most significantly impact the economic performance of Aquinas Wireless and King Street Wireless (collectively, the “limited partnerships”) is shared. Specifically, the general partner 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.

On March 13, 2013, TDS acquired the remaining 37% ownership interest in Airadigm Communications, Inc. (“Airadigm”) that it did not own for $3.5 million in cash. Prior to this acquisition, TDS consolidated Airadigm as a VIE. Subsequent to the acquisition date, Airadigm ceased to be a VIE but continues to be consolidated based on TDS’ controlling financial interest in the entity.

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

December 31,	2013	2012
(Dollars in thousands)		
Assets		
Cash and cash equivalents	$ 2,076	$ 7,028
Other current assets	1,184	3,267
Licenses and other intangible assets	310,475	325,707
Property, plant and equipment, net	18,600	31,544
Other assets and deferred charges	511	3,026
Total assets	$ 332,846	$ 370,572
Liabilities		
Current liabilities	$ 46	$ 9,985
Deferred liabilities and credits	3,139	6,213
Total liabilities	$ 3,185	$ 16,198

Other Related Matters

Aquinas Wireless and King Street Wireless were formed to participate in FCC auctions of wireless spectrum and to fund, establish, and provide wireless service with respect to any FCC licenses won in the auctions. As such, these entities have risks similar to those described in the "Risk Factors" in TDS' Annual Report on Form 10-K.

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

The limited partnership agreements of Aquinas Wireless and King Street Wireless also provide the general partner with a put option whereby the general partner may require the limited partner, a subsidiary of U.S. Cellular, to purchase its interest in the limited partnership. The general partner's put options related to its interests in King Street Wireless and Aquinas Wireless will become exercisable in 2019 and 2020, respectively. The put option price is determined pursuant to a formula that takes into consideration fixed interest rates and the market value of U.S. Cellular's Common Shares. Upon exercise of the put option, the general partner is required to repay borrowings due to U.S. Cellular. If the general partner does not elect to exercise its put option, the general partner may trigger an appraisal process in which the limited partner (a subsidiary of U.S. Cellular) may have the right, but not the obligation, to purchase the general partner's interest in the limited partnership at a price and on other terms and conditions specified in the limited partnership agreement. In accordance with requirements under GAAP, TDS is required to calculate a theoretical redemption value for all of the put options assuming they are exercisable at the end of each reporting period, even though such exercise is not contractually permitted. Pursuant to GAAP, this theoretical redemption value, net of amounts payable to U.S. Cellular for loans and accrued interest thereon made by U.S. Cellular to the general partners the ("net put value"), was $0.5 million at December 31, 2013 and 2012, respectively. The net put value is recorded as Noncontrolling interests with redemption features in TDS' Consolidated Balance Sheet. Also in accordance with GAAP, changes in the redemption value of the put options, net of interest accrued on the loans, are recorded as a component of Net income attributable to noncontrolling interests, net of tax, in TDS' Consolidated Statements of Operations.

TDS' capital contributions and advances made to Aquinas Wireless and King Street Wireless and/or their general partners totaled $10.0 million in the year ended December 31, 2012. There were no capital contributions or advances made to Aquinas Wireless or King Street Wireless or their general partners in 2013.

U.S. Cellular currently provides 4G LTE service in conjunction with King Street Wireless. Aquinas Wireless is still in the process of developing long-term business plans.

NOTE 14 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 2013, 2012 and 2011:

Year Ended December 31,	2013	2012	2011
(Dollars in thousands)			
Net income attributable to TDS shareholders	$ 141,927	$ 81,861	$ 200,566
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	(14,135)	(8,854)	(8,555)
Change in TDS' Capital in excess of par value from U.S. Cellular's repurchase of U.S. Cellular shares	3,370	4,789	(7,723)
Purchase of ownership in subsidiaries from noncontrolling interests	(123)	4,397	-
Net transfers (to) from noncontrolling interests	(10,888)	332	(16,278)
Change from net income attributable to TDS shareholders and transfers (to) from noncontrolling interests	$ 131,039	$ 82,193	$ 184,288

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 estimated aggregate amount that would be due and payable to settle all of these noncontrolling interests, assuming an orderly liquidation of the finite-lived consolidated partnerships and LLCs on December 31, 2013, net of estimated liquidation costs, is $14.0 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 December 31, 2013 was $8.2 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 due primarily to the unrecognized appreciation of the noncontrolling interest holders' share of the underlying net assets in the consolidated partnerships and LLCs. Neither the noncontrolling interest holders' share, nor TDS' share, of the appreciation of the underlying net assets of these subsidiaries is reflected in the consolidated financial statements.

NOTE 15 COMMON SHAREHOLDERS' EQUITY

Share Consolidation Amendment

On January 13, 2012, TDS shareholders approved certain amendments to the Restated Certificate of Incorporation of TDS ("Charter Amendments").

These approved Charter Amendments include (a) a Share Consolidation Amendment to reclassify (i) each Special Common Share as one Common Share, (ii) each Common Share as 1.087 Common Shares, and (iii) each Series A Common Share as 1.087 Series A Common Shares, (b) a Vote Amendment to fix the percentage voting power in certain matters and (c) amendments to eliminate obsolete and inoperative provisions as more fully described in TDS' Current Report on Form 8-K dated January 24, 2012.

These approved Charter Amendments were effected on January 24, 2012 at which time each outstanding Special Common Share was reclassified as one Common Share and the Special Common Shares ceased to be outstanding and consequently ceased trading on the New York Stock Exchange under the symbol "TDS.S."

As of December 31, 2011, the holders of Common Shares and Special Common Shares were entitled to one vote per share. The holders of Common Shares had full voting rights; the holders of Special Common Shares had limited voting rights. Other than the election of directors, the Special Common Shares had no votes except as otherwise required by law. The holders of Series A Common Shares were entitled to ten votes per share. Pursuant to the Vote Amendment, the voting power of the Series A Common Shares and the Common Shares, are fixed at 56.7% and 43.3%, respectively, of the total voting power in matters other than the election of directors where voting power is subject to adjustment due to changes in the number of outstanding Series A Common Shares. The Series A Common Shares continue to have ten votes per share in such matters and the vote per share of the Common Shares floats and is determined each time there is a vote on matters other than the election of directors.

As of January 24, 2012, immediately prior to the reclassification, there were outstanding 6,549,000 Series A Common Shares, 49,980,000 Common Shares, 47,012,000 Special Common Shares and 8,300 Preferred Shares. As of January 24, 2012 immediately following the reclassification, there were outstanding 7,119,000 Series A Common Shares, 101,340,000 Common Shares and 8,300 Preferred Shares.

As a result of the share reclassification, shares outstanding at December 31, 2011, as well as average basic and diluted shares outstanding used to calculate earnings per share, as of the beginning of 2011 and all prior periods presented in this Form 10-K have been retroactively restated to reflect the impact of the increased shares outstanding.

Common Stock

As of December 31, 2013, Series A Common Shares were convertible, on a share for share basis, into Common Shares and 7,166,195 Common Shares were reserved for possible issuance upon conversion of Series A Common Shares.

The following table summarizes the number of Common, Special Common and Series A Common Shares issued and repurchased.

(Shares in thousands)	Common Shares	Special Common Shares	Common Treasury Shares	Special Common Treasury Shares	Series A Common Shares
Balance December 31, 2010	57,093	63,442	7,198	15,911	6,510
Repurchase of shares	-	-	-	748	-
Dividend reinvestment, incentive and compensation plans	-	-	(86)	(226)	39
Reclassification as a result of Share Consolidation Amendment (1)	68,409	(63,442)	17,053	(16,433)	570
Balance December 31, 2011	125,502	-	24,165	-	7,119
Repurchase of shares	-	-	868	-	-
Conversion of Series A Common Shares	10	-	-	-	(10)
Dividend reinvestment, incentive and compensation plans	-	-	(392)	-	51
Balance December 31, 2012	125,512	-	24,641	-	7,160
Repurchase of shares	-	-	339	-	-
Conversion of Series A Common Shares	33	-	-	-	(33)
Dividend reinvestment, incentive and compensation plans	-	-	(1,026)	-	39
Balance December 31, 2013	125,545	-	23,954	-	7,166

(1) Reflects the impact of the Share Consolidation Amendment to the Restated Certificate of Incorporation of TDS, as approved by the TDS shareholders on January 13, 2012.

Tax-Deferred Savings Plan

TDS has reserved 90,341 Common Shares at December 31, 2013, for issuance under the TDS Tax-Deferred Savings Plan, a qualified profit-sharing plan pursuant to Sections 401(a) and 401(k) of the Internal Revenue Code. Participating employees have the option of investing their contributions and TDS' contributions in a TDS Common Share fund, a U.S. Cellular Common Share fund or certain unaffiliated funds.

Common Share Repurchases

TDS and U.S. Cellular Share Repurchases

On August 2, 2013, the Board of Directors of TDS authorized a $250 million stock repurchase program for the purchase of TDS Common Shares from time to time pursuant to open market purchases, block transactions, private purchases or otherwise, depending on market conditions. This authorization does not have an expiration date. In 2012, TDS had a prior share repurchase authorization for $250 million that expired 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 and prior authorizations, were as follows:

Year Ended December 31, (Dollar amounts and shares in thousands)	Number of Shares	Average Cost Per Share	Amount
2013			
U.S. Cellular Common Shares	499	$ 37.19	$ 18,544
TDS Common Shares	339	28.60	9,692
2012			
U.S. Cellular Common Shares	571	$ 35.11	$ 20,045
TDS Common Shares	868	23.08	20,026
2011			
U.S. Cellular Common Shares	1,276	$ 48.82	$ 62,294
TDS Common Shares	-	-	-
TDS Special Common Shares	748	28.73	21,500

NOTE 16 STOCK-BASED COMPENSATION

TDS Consolidated

The following table summarizes stock-based compensation expense recognized during 2013, 2012 and 2011:

Year Ended December 31, (Dollars in thousands)	2013	2012	2011
Stock option awards	$ 12,973	$ 20,884	$ 20,443
Restricted stock unit awards	15,535	19,025	14,905
Deferred compensation bonus and matching stock unit awards	550	749	124
Employee stock purchase plans	-	-	485
Awards under Non-Employee Director compensation plan	1,280	1,213	880
Total stock-based compensation, before income taxes	30,338	41,871	36,837
Income tax benefit	(11,459)	(15,848)	(13,862)
Total stock-based compensation expense, net of income taxes	$ 18,879	$ 26,023	$ 22,975

At December 31, 2013, unrecognized compensation cost for all stock-based compensation awards was $36.8 million and is expected to be recognized over a weighted average period of 2.2 years.

The following table provides a summary of the stock-based compensation expense included in the Consolidated Statement of Operations for the years ended:

December 31,		**2013**		**2012**		**2011**
(Dollars in thousands)						
Selling, general and administrative expense	$	27,130	$	38,563	$	33,949
Cost of services and products		3,208		3,308		2,888
Total stock-based compensation	$	30,338	$	41,871	$	36,837

TDS' tax benefits realized from the exercise of stock options and other awards totaled $9.6 million in 2013.

TDS (excluding U.S. Cellular)

The information in this section relates to stock-based compensation plans using the equity instruments of TDS. Participants in these plans are employees of TDS Corporate and TDS Telecom and Non-employee Directors of TDS, although U.S. Cellular employees were eligible to participate in the TDS Employee Stock Purchase Plan before it was terminated in the fourth quarter of 2011. Information related to plans using the equity instruments of U.S. Cellular are shown in the U.S. Cellular section following the TDS section.

Under the TDS Long-Term Incentive Plans, TDS may grant fixed and performance based incentive and non-qualified stock options, restricted stock, restricted stock units, and deferred compensation stock unit awards to key employees. On January 13, 2012, TDS shareholders approved Amendments to the Restated Certificate of Incorporation of TDS which included both a Share Consolidation Amendment and adoption of the TDS 2011 Long-Term Incentive Plan, which replaced the TDS 2004 Long-Term Incentive Plan. See Note 15 — Common Shareholders' Equity for additional information.

As a result of the effectiveness of the Share Consolidation Amendment on January 24, 2012, there are no longer any Special Common Shares authorized or outstanding. As a result, outstanding awards were adjusted to reflect the reclassification, and such awards will be settled only in Common Shares. Such adjustment was made consistent with the share consolidation.

TDS had reserved 13,315,000 Common Shares at December 31, 2013 for equity awards granted and to be granted under the TDS Long-Term Incentive Plans in effect. At December 31, 2013, the only types of awards outstanding are fixed non-qualified stock option awards, restricted stock unit awards, and deferred compensation stock unit awards. As of December 31, 2013, there were no shares reserved under any employee stock purchase plan, since this plan was terminated in the fourth quarter of 2011.

TDS has also established a Non-Employee Directors' compensation plan under which it has reserved 200,000 TDS Common Shares at December 31, 2013 for issuance as compensation to members of the Board of Directors who are not employees of TDS.

TDS uses treasury stock to satisfy requirements for shares issued pursuant to its various stock-based compensation plans.

Long-Term Incentive Plan—Stock Options—Stock options granted to key employees are exercisable over a specified period not in excess of ten years. Stock options generally vest over periods up to three years from the date of grant. Stock options outstanding at December 31, 2013 expire between 2014 and 2023. However, vested stock options typically expire 30 days after the effective date of an employee's termination of employment for reasons other than retirement. Employees who leave at the age of retirement have 90 days (or one year if they satisfy certain requirements) within which to exercise their vested stock options. The exercise price of options equals the market value of TDS common stock on the date of grant.

TDS estimated the fair value of stock options granted in 2013, 2012 and 2011 using the Black Scholes valuation model and the assumptions shown in the table below:

	2013	**2012**	**2011**
Expected life	5.7 Years	5.5 Years	5.5 Years
Expected annual volatility rate	41.0 %	41.1 %	37.6 %
Dividend yield	2.3 %	2.4 %	1.6 %
Risk-free interest rate	1.0 %	0.9 %	2.1 %
Estimated annual forfeiture rate	2.9 %	2.9 %	3.0 %

Until the time of the effectiveness of the Share Consolidation Amendment on January 24, 2012, any employee with stock options granted prior to the date of the TDS Special Common Share dividend on May 13, 2005, received one Common Share and one Special Common Share per tandem option exercised. Each tandem option was exercisable at its original exercise price. As a result of the Share Consolidation Amendment each Special Common Share was reclassified as a Common Share on a one-for-one basis and each Common Share was reclassified as 1.087 Common Shares. Consequently, each tandem option was adjusted to reflect the reclassification into 2.087 Common Shares upon exercise and the exercise price of the award was also adjusted to 1/2.087 of the original exercise price of the award.

Any employee with TDS stock options granted after May 13, 2005 was entitled to receive one Special Common Share per option exercised. As a result of the Share Consolidation Amendment each Special Common option was reclassified into one Common Share option. The reclassification did not change the exercise price of these awards.

A summary of TDS stock options (total and portion exercisable) and changes during the three years ended December 31, 2013, is presented in the tables and narrative below. The December 31, 2011 amounts in the tables below reflect the impact of the Share Consolidation Amendment to the Restated Certificate of Incorporation of TDS:

Tandem Options	**Number of Options**	**Weighted Average Exercise Price**	**Weighted Average Grant Date Fair Value**	**Aggregate Intrinsic Value**
Outstanding at December 31, 2010	651,000	$ 69.60		
(651,000 exercisable)		69.60		
Exercised	(2,000)	53.77		$ 30,000
Forfeited	-	-		
Expired	(78,000)	99.23		
Reclassification of Tandem Options due to Share Consolidation	(571,000)	65.64		$ 158,000
Outstanding at December 31, 2011	-			

Special Common Share Options	**Number of Options**	**Weighted Average Exercise Prices**	**Weighted Average Grant Date Fair Value**	**Aggregate Intrinsic Value**
Outstanding at December 31, 2010	5,108,000	$ 35.41		
(2,506,000 exercisable)		43.14		
Granted	1,034,000	29.94	$ 9.59	
Exercised	(5,000)	26.95		$ 19,000
Forfeited	(34,000)	28.12		
Expired	(79,000)	35.00		
Reclassification of Special Common Options due to Share Consolidation	(6,024,000)	$ 34.38		$ -
Outstanding at December 31, 2011	-			

Common Share Options	Number of Options		Weighted Average Exercise Prices		Weighted Average Grant Date Fair Value		Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Reclassification of Tandem Options due to Share Consolidation	1,192,000		31.45					
Reclassification of Special Common Options due to Share Consolidation	6,024,000		34.38					
Outstanding at December 31, 2011	7,216,000	$	33.89					
(4,865,000 exercisable)			36.67					
Granted	1,702,000		20.79	$	6.28			
Exercised	(1,000)		20.65			$	4,000	
Forfeited	(106,000)		23.81					
Expired	(298,000)		30.12					
Outstanding at December 31, 2012	8,513,000	$	31.53					
(5,782,000 exercisable)			35.12					
Granted	1,259,000		22.60	$	7.01			
Exercised	(683,000)		25.33			$	2,450,000	
Forfeited	(81,000)		23.75					
Expired	(228,000)		34.10					
Outstanding at December 31, 2013	8,780,000	$	30.74			$	11,483,000	6.0
(6,160,000 exercisable)		$	34.13			$	2,256,000	4.9

The aggregate intrinsic value in the tables above represents the total pre-tax intrinsic value (the difference between TDS' closing stock prices and the exercise price, multiplied by the number of in-the-money options) that was received by the option holders upon exercise or that would have been received by option holders had all options been exercised on December 31, 2013.

Long-Term Incentive Plans—Restricted Stock Units—TDS also grants restricted stock unit awards to key employees. As of December 31, 2011, each restricted stock unit outstanding was convertible into one Special Common Share upon the vesting of such restricted stock units. As a result of the Share Consolidation Amendment each outstanding restricted stock unit was reclassified and became convertible into one Common Share Award. The restricted stock unit awards currently outstanding were granted in 2012 and 2013 and will vest in December 2014 and May 2016, respectively.

TDS estimates the fair value of restricted stock units by reducing the grant-date price of TDS' shares by the present value of the dividends expected to be paid on the underlying shares during the requisite service period, discounted at the appropriate risk-free interest rate, since employees are not entitled to dividends declared on the underlying shares while the restricted stock or RSU is unvested. The fair value is then recognized as compensation cost on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period.

A summary of TDS nonvested restricted stock units and changes during the year ended December 31, 2013 is presented in the table below:

Common Restricted Stock Units	Number		Weighted Average Grant Date Fair Value
Nonvested at December 31, 2012	547,000	$	23.44
Granted	353,000	$	21.09
Vested	(213,000)	$	28.94
Forfeited	(24,000)	$	23.16
Nonvested at December 31, 2013	663,000	$	20.43

The total fair values as of the respective vesting dates of restricted stock units vested during 2013, 2012 and 2011 were $5.8 million, $3.4 million and $4.1 million, respectively. The weighted average grant date fair value of restricted stock units granted in 2013, 2012 and 2011 was $21.09, $19.62 and 28.73, respectively.

Long-Term Incentive Plans—Deferred Compensation Stock Units—Certain TDS employees may elect to defer receipt of all or a portion of their annual bonuses and to receive a company matching contribution on the amount deferred. All bonus compensation that is deferred by employees electing to participate is immediately vested and is deemed to be invested in TDS Common Share units. The amount of TDS' matching contribution depends on the portion of the annual bonus that is deferred. Participants receive a 25% stock unit match for amounts deferred up to 50% of their total annual bonus and a 33% match for amounts that exceed 50% of their total annual bonus; such matching contributions also are deemed to be invested in TDS Common Share units.

The total fair values of deferred compensation stock units that vested during 2013, 2012 and 2011 were $0.1 million, $0.1 million and 0.1 million, respectively. The weighted average grant date fair value of deferred compensation stock units granted in 2013, 2012 and 2011 was $21.99, $24.18 and $28.15, respectively. As of December 31, 2013, there were 227,000 vested but unissued deferred compensation stock units valued at $5.9 million.

Compensation of Non-Employee Directors—TDS issued 33,000, 22,000 and 19,000 Common Shares under its Non-Employee Director plan in 2013, 2012 and 2011, respectively.

Dividend Reinvestment Plans ("DRIP")—TDS had reserved 1,403,000 Common Shares at December 31, 2013, for issuance under Automatic Dividend Reinvestment and Stock Purchase Plans and 179,000 Series A Common Shares for issuance under the Series A Common Share Automatic Dividend Reinvestment Plan. These plans enabled holders of TDS' Common Shares and Preferred Shares to reinvest cash dividends in Common Shares and holders of Series A Common Shares to reinvest cash dividends in Series A Common Shares. The purchase price of the shares is 95% of the market value, based on the average of the daily high and low sales prices for TDS' Common Shares on the New York Stock Exchange for the ten trading days preceding the date on which the purchase is made. These plans are considered non-compensatory plans, therefore no compensation expense is recognized for stock issued under these plans.

U.S. Cellular

The information in this section relates to stock-based compensation plans using the equity instruments of U.S. Cellular. Participants in these plans are employees of U.S. Cellular and Non-employee Directors of U.S. Cellular. Information related to plans using the equity instruments of TDS are shown in the previous section.

U.S. Cellular has established the following stock-based compensation plans: long-term incentive plans and a Non-Employee Director compensation plan, and had an employee stock purchase plan that was terminated in the fourth quarter of 2011. In addition, U.S. Cellular employees were eligible to participate in the TDS employee stock purchase plan before that plan also was terminated in the fourth quarter of 2011.

Under the U.S. Cellular Long-Term Incentive Plans, U.S. Cellular may grant fixed and performance based incentive and non-qualified stock options, restricted stock, restricted stock units, and deferred compensation stock unit awards to key employees. At December 31, 2013, the only types of awards outstanding are fixed non-qualified stock option awards, restricted stock unit awards, and deferred compensation stock unit awards.

On June 25, 2013, U.S. Cellular paid a special cash dividend to all holders of U.S. Cellular Common Shares and Series A Common Shares as of June 11, 2013. Outstanding U.S. Cellular stock options, restricted stock unit awards and deferred compensation stock units were equitably adjusted for the special cash dividend. The impact of such adjustments are fully reflected for all years presented. See Note 4 – Earnings Per Share for additional information.

At December 31, 2013, U.S. Cellular had reserved 10,139,000 Common Shares for equity awards granted and to be granted under the Long-Term Incentive Plans. No Common Shares were reserved for issuance to employees under any employee stock purchase plan since this plan was terminated in the fourth quarter of 2011.

U.S. Cellular also has established a Non-Employee Director compensation plan under which it has reserved 212,000 Common Shares at December 31, 2013 for issuance as compensation to members of the Board of Directors who are not employees of U.S. Cellular or TDS.

U.S. Cellular uses treasury stock to satisfy requirements for Common Shares issued pursuant to its various stock-based compensation plans.

Long-Term Incentive Plans—Stock Options—Stock options granted to key employees are exercisable over a specified period not in excess of ten years. Stock options generally vest over a period of three years from the date of grant. Stock options outstanding at December 31, 2013 expire between 2014 and 2023. However, vested stock options typically expire 30 days after the effective date of an employee's termination of employment for reasons other than retirement. Employees who leave at the age of retirement have 90 days (or one year if they satisfy certain requirements) within which to exercise their vested stock options. The exercise price of options equals the market value of U.S. Cellular Common Shares on the date of grant.

U.S. Cellular estimated the fair value of stock options granted during 2013, 2012, and 2011 using the Black Scholes valuation model and the assumptions shown in the table below.

	2013	**2012**	**2011**
Expected life	4.6-9.0 years	4.5 years	4.3 years
Expected volatility	29.2%-39.6%	40.7%-42.6%	43.4%-44.8%
Dividend yield	0%	0%	0%
Risk-free interest rate	0.7%-2.4%	0.5%-0.9%	0.7%-2.0%
Estimated annual forfeiture rate	0.0%-8.1%	0.0%-9.1%	0.0%-7.8%

The fair value of options is recognized as compensation cost using an accelerated attribution method over the requisite service periods of the awards, which is generally the vesting period.

A summary of U.S. Cellular stock options outstanding (total and portion exercisable) and changes during the three years ended December 31, 2013, is presented in the table below:

Common Share Options	**Number of Options**	**Weighted Average Exercise Price**	**Weighted Average Grant Date Fair Value**	**Aggregate Intrinsic Value**	**Weighted Average Remaining Contractual Life (in years)**
Outstanding at December 31, 2010	2,627,000	$ 42.28			
(1,333,000 exercisable)		47.18			
Granted	694,000	44.34	$ 16.66		
Exercised	(201,000)	32.32		$ 2,099,000	
Forfeited	(83,000)	39.42			
Expired	(203,000)	49.32			
Outstanding at December 31, 2011	2,834,000	$ 43.07			
(1,533,000 exercisable)		46.23			
Granted	677,000	34.91	$ 12.61		
Exercised	(47,000)	29.82		$ 205,000	
Forfeited	(117,000)	38.45			
Expired	(133,000)	46.17			
Outstanding at December 31, 2012	3,214,000	$ 41.58			
(1,928,000 exercisable)		43.99			
Granted	1,213,000	32.45	$ 11.53		
Exercised	(892,000)	34.78		$ 6,787,000	
Forfeited	(574,000)	34.17			
Expired	(247,000)	48.35			
Outstanding at December 31, 2013	2,714,000	$ 42.22		$ 13,015,000	6.80
(1,359,000 exercisable)		$ 46.91		$ 2,632,000	4.60

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between U.S. Cellular's closing stock price and the exercise price multiplied by the number of in-the-money options) that was received by the option holders upon exercise or that would have been received by option holders had all options been exercised on December 31, 2013.

Long-Term Incentive Plans—Restricted Stock Units—U.S. Cellular grants restricted stock unit awards, which generally vest after three years, to key employees.

U.S. Cellular estimates the fair value of restricted stock units based on the closing market price of U.S. Cellular shares on the date of grant. The fair value is then recognized as compensation cost on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period.

A summary of U.S. Cellular nonvested restricted stock units at December 31, 2013 and changes during the year then ended is presented in the table below:

Common Restricted Stock Units	Number	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2012	1,139,000	$ 38.40
Granted	601,000	32.06
Vested	(238,000)	42.26
Forfeited	(332,000)	35.63
Nonvested at December 31, 2013	1,170,000	$ 36.46

The total fair value of restricted stock units that vested during 2013, 2012 and 2011 was $8.8 million, $8.9 million and $9.5 million, respectively, as of the respective vesting dates. The weighted average grant date fair value of restricted stock units granted in 2013, 2012 and 2011 was $32.06, $34.09 and $42.33, respectively.

Long-Term Incentive Plans—Deferred Compensation Stock Units—Certain U.S. Cellular employees may elect to defer receipt of all or a portion of their annual bonuses and to receive a company matching contribution on the amount deferred. All bonus compensation that is deferred by employees electing to participate is immediately vested and is deemed to be invested in U.S. Cellular Common Share stock units. The amount of U.S. Cellular's matching contribution depends on the portion of the annual bonus that is deferred. Participants receive a 25% match for amounts deferred up to 50% of their total annual bonus and a 33% match for amounts that exceed 50% of their total annual bonus; such matching contributions also are deemed to be invested in U.S. Cellular Common Share stock units.

The total fair value of deferred compensation stock units that vested was less than $0.1 million during 2013, 2012 and 2011. The weighted average grant date fair value of deferred compensation stock units granted in 2013, 2012 and 2011 was $31.50, $36.34 and $41.79, respectively. As of December 31, 2013, there were 12,000 vested but unissued deferred compensation stock units valued at $0.5 million.

Compensation of Non-Employee Directors—U.S. Cellular issued 13,000, 7,600 and 6,600 Common Shares in 2013, 2012 and 2011, respectively, under its Non-Employee Director compensation plan.

NOTE 17 RECLASSIFICATION ADJUSTMENTS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive loss includes amounts related to TDS' defined benefit post-retirement plan. During 2013, reclassifications from Accumulated other comprehensive loss into Operating expenses, related to the retirement plan, were approximately $0.8 million (net of income tax of $0.4 million). Of this amount, $0.5 million was recorded as a decrease to Cost of services and products and $0.3 million was recorded as a decrease to Selling, general and administrative expense.

NOTE 18 BUSINESS SEGMENT INFORMATION

U.S. Cellular and TDS Telecom are billed for all services they receive from TDS, consisting primarily of information processing and general management services. Such billings are based on expenses specifically identified to U.S. Cellular and TDS Telecom and on allocations of common expenses. Management believes the method used to allocate common expenses is reasonable and that all expenses and costs applicable to U.S. Cellular and TDS Telecom are reflected in the accompanying business segment information on a basis that is representative of what they would have been if U.S. Cellular and TDS Telecom operated on a stand-alone basis.

Financial data for TDS' reportable segments for 2013, 2012 and 2011, is as follows. During the year ended December 31, 2013, TDS reevaluated and changed its operating segments, which resulted in the following reportable segments: U.S. Cellular; TDS Telecom Wireline, Cable, HMS; and the Non-Reportable Segment. Periods presented for comparative purposes have been re-presented to conform to the revised presentation. See Note 1 — Summary of Significant Accounting Policies and Recent Accounting Pronouncements for additional information.

		TDS Telecom							
Year Ended or as of December 31, 2013	**U.S. Cellular**	**Wireline**	**Cable**	**HMS**	**TDS Telecom Eliminations**	**TDS Telecom Total**	**Non-Reportable Segment**	**Corporate, Eliminations and Other Reconciling Items**	**Total**
(Dollars in thousands)									
Operating revenues	$ 3,918,836	$ 726,567	$ 35,883	$ 185,616	$ (1,063)	$ 947,003	$ 59,703	$ (24,306)	$ 4,901,236
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)	1,762,435	270,466	17,274	136,414	(1,000)	423,154	43,049	(3,322)	2,225,316
Selling, general and administrative	1,677,395	220,097	11,054	44,945	(63)	276,033	14,526	(20,176)	1,947,778
Depreciation, amortization and accretion	803,781	170,868	7,571	24,262	-	202,701	5,980	5,615	1,018,077
(Gain) loss on asset disposals, net	30,606	130	28	125	-	283	(8)	(40)	30,841
(Gain) loss on sale of business and other exit costs, net	(246,767)	-	-	-	-	-	-	(53,889)	(300,656)
(Gain) loss on license sales and exchanges	(255,479)	-	-	-	-	-	-	-	(255,479)
Operating income (loss)	146,865	65,006	(44)	(20,130)	-	44,832	(3,844)	47,506	235,359
Equity in earnings of unconsolidated entities	131,949	19	-	-	-	19	-	746	132,714
Interest and dividend income	3,961	1,759	2	63	-	1,824	4	3,303	9,092
Gain (loss) on investments	18,556	830	-	-	-	830	-	(4,839)	14,547
Interest expense	(43,963)	3,265	(74)	(1,626)	-	1,565	(4,062)	(52,351)	(98,811)
Other, net	288	(214)	-	29	-	(185)	(161)	21	(37)
Income (loss) before income taxes	257,656	70,665	(116)	(21,664)	-	48,885	(8,063)	(5,614)	292,864
Add back:									
Depreciation, amortization and accretion	803,781	170,868	7,571	24,262	-	202,701	5,980	5,615	1,018,077
(Gain) loss on sale of business and other exit costs, net	(246,767)	-	-	-	-	-	-	(53,889)	(300,656)
(Gain) loss on license sales and exchanges	(255,479)	-	-	-	-	-	-	-	(255,479)
Gain (loss) on investments	(18,556)	(830)	-	-	-	(830)	-	4,839	(14,547)
Interest expense	43,963	(3,265)	74	1,626	-	(1,565)	4,062	52,351	98,811
Adjusted income before income taxes	$ 584,598	$ 237,438	$ 7,529	$ 4,224	$ -	$ 249,191	$ 1,979	$ 3,302	$ 839,070
Investments in unconsolidated entities	$ 265,585	$ 3,809	$ -	$ -	$ -	$ 3,809	$ -	$ 32,378	$ 301,772
Total assets	$ 6,445,708	$ 1,188,433	$ 543,038	$ 328,397	$ -	$ 2,059,868	$ 58,275	$ 340,296	$ 8,904,147
Capital expenditures	$ 737,501	$ 140,009	$ 8,375	$ 16,474	$ -	$ 164,858	$ 866	$ 6,435	$ 909,660

Year Ended or as of December 31, 2012	U.S. Cellular	TDS Telecom: Wireline	TDS Telecom: HMS	TDS Telecom: TDS Telecom Eliminations	TDS Telecom: TDS Telecom Total	Non-Reportable Segment	Corporate, Eliminations and Other Reconciling Items	Total
(Dollars in thousands)								
Operating revenues	$ 4,452,084	$ 741,748	$ 113,010	$ (252)	$ 854,506	$ 60,830	$ (22,143)	$ 5,345,277
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)	1,882,752	274,065	75,781	(252)	349,594	42,150	(1,926)	2,272,570
Selling, general and administrative	1,764,933	235,716	34,193	-	269,909	16,189	(17,130)	2,033,901
Depreciation, amortization and accretion	608,633	172,526	20,568	-	193,094	6,102	5,797	813,626
Loss on impairment of assets	-	-	-	-	-	515	-	515
(Gain) loss on asset disposals, net	18,088	1,020	108	-	1,128	(1)	526	19,741
(Gain) loss on sale of business and other exit costs, net	21,022	39	-	-	39	-	-	21,061
Operating income (loss)	156,656	58,382	(17,640)	-	40,742	(4,125)	(9,410)	183,863
Equity in earnings of unconsolidated entities	90,364	10	-	-	10	-	2,493	92,867
Interest and dividend income	3,644	3,085	25	-	3,110	8	2,486	9,248
Gain (loss) on investments	(3,718)	-	-	-	-	-	-	(3,718)
Interest expense	(42,393)	2,674	(1,160)	-	1,514	(3,938)	(41,928)	(86,745)
Other, net	500	(353)	(1)	-	(354)	575	(1)	720
Income (loss) before income taxes	205,053	63,798	(18,776)	-	45,022	(7,480)	(46,360)	196,235
Add back:								
Depreciation, amortization and accretion	608,633	172,526	20,568	-	193,094	6,102	5,797	813,626
(Gain) loss on sale of business and other exit costs, net	21,022	39	-	-	39	-	-	21,061
Gain (loss) on investments	3,718	-	-	-	-	-	-	3,718
Interest expense	42,393	(2,674)	1,160	-	(1,514)	3,938	41,928	86,745
Adjusted income before income taxes	$ 880,819	$ 233,689	$ 2,952	$ -	$ 236,641	$ 2,560	$ 1,365	$ 1,121,385
Investments in unconsolidated entities	$ 144,531	$ 3,809	$ -	$ -	$ 3,809	$ -	$ 31,581	$ 179,921
Total assets	$ 6,587,450	$ 1,519,698	$ 267,798	$ -	$ 1,787,496	$ 62,931	$ 186,023	$ 8,623,900
Capital expenditures	$ 836,748	$ 158,580	$ 15,344	$ -	$ 173,924	$ 1,789	$ (7,840)	$ 1,004,621

Year Ended or as of December 31, 2011	U.S. Cellular	TDS Telecom: Wireline	TDS Telecom: HMS	TDS Telecom: TDS Telecom Eliminations	TDS Telecom: TDS Telecom Total	Non-Reportable Segment	Corporate, Eliminations and Other Reconciling Items	Total
(Dollars in thousands)								
Operating revenues	$ 4,343,346	$ 768,208	$ 47,180	$ -	$ 815,388	$ 45,133	$ (23,396)	$ 5,180,471
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)	1,721,181	274,701	23,502	-	298,203	32,952	(1,692)	2,050,644
Selling, general and administrative	1,769,701	221,114	15,647	-	236,761	8,609	(12,712)	2,002,359
Depreciation, amortization and accretion	573,557	167,663	12,867	-	180,530	3,021	8,668	765,776
(Gain) loss on asset disposals, net	9,889	1,128	115	-	1,243	(197)	17	10,952
(Gain) loss on license sales and exchanges	(11,762)	-	-	-	-	-	-	(11,762)
Operating income (loss)	280,780	103,602	(4,951)	-	98,651	748	(17,677)	362,502
Equity in earnings of unconsolidated entities	83,566	8	-	-	8	-	(1,036)	82,538
Interest and dividend income	3,395	3,548	-	-	3,548	2	2,200	9,145
Gain (loss) on investments	11,373	-	-	-	-	-	12,730	24,103
Interest expense	(65,614)	2,702	(78)	-	2,624	(1,359)	(53,852)	(118,201)
Other, net	(678)	2,719	(9)	-	2,710	650	976	3,658
Income (loss) before income taxes	312,822	112,579	(5,038)	-	107,541	41	(56,659)	363,745
Add back:								
Depreciation, amortization and accretion	573,557	167,663	12,867	-	180,530	3,021	8,668	765,776
(Gain) loss on license sales and exchanges	(11,762)	-	-	-	-	-	-	(11,762)
Gain (loss) on investments	(11,373)	-	-	-	-	-	(12,730)	(24,103)
Interest expense	65,614	(2,702)	78	-	(2,624)	1,359	53,852	118,201
Adjusted income before income taxes	$ 928,858	$ 277,540	$ 7,907	$ -	$ 285,447	$ 4,421	$ (6,869)	$ 1,211,857
Investments in unconsolidated entities	$ 138,096	$ 3,808	$ -	$ -	$ 3,808	$ -	$ 31,806	$ 173,710
Total assets	$ 6,327,976	$ 1,494,362	$ 209,109	$ -	$ 1,703,471	$ 68,870	$ 100,688	$ 8,201,005
Capital expenditures	$ 782,526	$ 164,163	$ 26,999	$ -	$ 191,162	$ 3,206	$ 10,324	$ 987,218

Adjusted income before income taxes is a segment measure reported to the principal operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. Adjusted income before income taxes is defined as Income (loss) before income taxes, adjusted for the items set forth in the reconciliation above. Adjusted income before income taxes excludes these items in order to show operating results on a more comparable basis from period to period. In addition, TDS may also exclude other items from adjusted income before income taxes if such items help reflect operating results on a more comparable basis. TDS does not intend to imply that any of such amounts that are excluded are non-recurring, infrequent or unusual; such amounts may occur in the future. TDS believes Adjusted income before income taxes is a useful measure of TDS' operating results before significant recurring non-cash charges, discrete gains and losses and financing charges (Interest expense).

NOTE 19 SUPPLEMENTAL CASH FLOW DISCLOSURES

Following are supplemental cash flow disclosures regarding interest paid and income taxes paid.

Year Ended December 31,		**2013**		**2012**		**2011**
(Dollars in thousands)						
Interest paid	$	96,241	$	88,208	$	96,174
Income taxes paid (refunded)		175,629		(62,042)		(66,994)

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

Year Ended December 31,		**2013**		**2012**		**2011**
(Dollars in thousands)						
Common Shares withheld		265,748		49,840		-
Special Common Shares withheld		-		1,381		65,638
Aggregate value of Common Shares withheld	$	7,639	$	1,102	$	-
Aggregate value of Special Common Shares withheld	$	-	$	33	$	1,537
Cash receipts upon exercise of stock options		12,092		16		1,463
Cash disbursements for payment of taxes		(2,438)		(1,135)		(1,431)
Net cash receipts (disbursements) from exercise of stock options and vesting of other stock awards	$	9,654	$	(1,119)	$	32

U.S. Cellular:

Year Ended December 31,		**2013**		**2012**		**2011**
(Dollars in thousands)						
Common Shares withheld		606,582		92,846		120,250
Aggregate value of Common Shares withheld	$	25,179	$	3,604	$	5,952
Cash receipts upon exercise of stock options		10,468		900		5,447
Cash disbursements for payment of taxes		(4,684)		(3,105)		(3,512)
Net cash receipts (disbursements) from exercise of stock options and vesting of other stock awards	$	5,784	$	(2,205)	$	1,935

Under the American Recovery and Reinvestment Act of 2009 (“the Recovery Act”), TDS Telecom was awarded $105.1 million in federal grants and will provide $30.9 million of its own funds to complete 44 projects to provide broadband access in unserved areas. TDS Telecom received $41.9 million, $16.7 million, and $4.9 million in grants during the twelve months ended December 31, 2013, 2012 and 2011, respectively. TDS Telecom has received cumulative grants of $63.6 million as of December 31, 2013. These funds reduced the carrying amount of the assets to which they relate. TDS Telecom had recorded $23.6 million and $27.6 million in grants receivable at December 31, 2013 and 2012, respectively. These amounts were included as a component of Accounts receivable, Other, in the Consolidated Balance Sheet.

On September 27, 2012, the FCC conducted a single round, sealed bid, reverse auction to award up to $300 million in one-time Mobility Fund Phase I support to successful bidders that commit to provide 3G, or better, wireless service in areas designated as unserved by the FCC. This auction was designated by the FCC as Auction 901. U.S. Cellular and several of its wholly-owned subsidiaries participated in Auction 901 and were winning bidders in eligible areas within 10 states and will receive up to $40.1 million in one-time support from the Mobility Fund. These funds will reduce the carrying amount of the assets to which they relate or will offset operating expenses. U.S. Cellular has received $13.4 million in support funds as of December 31, 2013, of which $10.3 million is included as a component of Other assets and deferred charges in the Consolidated Balance Sheet and $3.1 million reduced the carrying amount of the assets to which they relate, which are included in Property, plant and equipment in the Consolidated Balance Sheet.

TDS declared and paid dividends on Series A Common and Common Shares of $55.2 million or $0.51 per share during 2013 and $53.1 million or $0.49 per share during 2012. TDS declared and paid dividends on Series A Common, Common and Special Common Shares of $48.6 million or $0.47 per share during 2011.

On June 25, 2013, U.S. Cellular paid a special cash dividend of $5.75 per share, for an aggregate amount of $482.3 million, to all holders of U.S. Cellular Common Shares and Series A Common Shares as of June 11, 2013. Of the $482.3 million paid, TDS received $407.1 million while noncontrolling public shareholders received $75.2 million. The cash paid to noncontrolling public shareholders is presented as U.S. Cellular dividends paid to noncontrolling public shareholders on the Consolidated Statement of Cash Flows.

NOTE 20 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following persons are partners of Sidley Austin LLP, the principal law firm of TDS and its subsidiaries: Walter C.D. Carlson, a trustee and beneficiary of a voting trust that controls TDS, the non-executive Chairman of the Board and member of the Board of Directors of TDS and a director of U.S. Cellular, a subsidiary of TDS; William S. DeCarlo, the General Counsel of TDS and an Assistant Secretary of TDS and certain subsidiaries of TDS; and Stephen P. Fitzell, the General Counsel of U.S. Cellular and TDS Telecommunications Corporation and an Assistant Secretary of certain subsidiaries of TDS. Walter C.D. Carlson does not provide legal services to TDS or its subsidiaries. TDS, U.S. Cellular and their subsidiaries incurred legal costs from Sidley Austin LLP of $17.6 million in 2013, $13.6 million in 2012 and $13.7 million in 2011.

The Audit Committee of the Board of Directors is responsible for the review and evaluation of all related-party transactions as such term is defined by the rules of the New York Stock Exchange.

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

Management of Telephone and Data Systems, Inc. has the responsibility for preparing the accompanying consolidated financial statements and for their integrity and objectivity. The statements were prepared in accordance with accounting principles generally accepted in the United States of America and, in management's opinion, were fairly presented. The financial statements included amounts that were based on management's best estimates and judgments. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the financial statements.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited these consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and has expressed herein its unqualified opinion on these financial statements.

/s/ LeRoy T. Carlson, Jr.	/s/ Douglas D. Shuma
LeRoy T. Carlson, Jr. President and Chief Executive Officer (principal executive officer)	Douglas D. Shuma Senior Vice President and Controller (principal financial officer and principal accounting officer)

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. TDS' internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). TDS' internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and, where required, the Board of Directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the issuer's assets that could have a material effect on the interim or annual consolidated financial statements.

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

Under the supervision and with the participation of TDS' management, including its principal executive officer and principal financial officer, TDS conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2013, based on the criteria established in the 1992 version of *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has concluded that TDS maintained effective internal control over financial reporting as of December 31, 2013 based on criteria established in the 1992 version of *Internal Control — Integrated Framework* issued by the COSO.

The effectiveness of TDS' internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in the firm's report included herein.

/s/ LeRoy T. Carlson, Jr.	/s/ Douglas D. Shuma
LeRoy T. Carlson, Jr. President and Chief Executive Officer (principal executive officer)	Douglas D. Shuma Senior Vice President and Controller (principal financial officer and principal accounting officer)

Report of Independent Registered Public Accounting Firm

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

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows present fairly, in all material respects, the financial position of Telephone and Data Systems, Inc. and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, based on our audit, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control — Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We did not audit the financial statements of Los Angeles SMSA Limited Partnership, a 5.5% owned entity accounted for by the equity method of accounting. The consolidated financial statements of Telephone and Data Systems, Inc. reflect an investment in this partnership of $112,200,000 and $105,300,000 as of December 31, 2013 and 2012, respectively, and equity earnings of $78,400,000, $67,200,000 and $55,300,000 for each of the three years in the period ended December 31, 2013. The financial statements of Los Angeles SMSA Limited Partnership were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements expressed herein, insofar as it relates to the amounts included for Los Angeles SMSA Limited Partnership, is based solely on the report of the other auditors. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
February 28, 2014