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TELEPHONE & DATA SYSTEMS INC /DE/  
Form 424B3  
May 07, 2008

Filed Pursuant to Rule 424(b)(3)

Registration Nos. 033-08857-99

033-59435-99

333-125001

PROSPECTUS SUPPLEMENT

to

PROSPECTUS DATED MARCH 12, 2008

The attached Current Report on Form 8-K dated May 7, 2008 was filed by the registrant with the Securities and Exchange Commission, and should be read in conjunction with the Prospectus dated March 12, 2008.

The date of this Prospectus Supplement is May 7, 2008

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **May 7, 2008**

**TELEPHONE AND DATA SYSTEMS, INC.**

(Exact name of registrant as specified in their charter)

|  |                          |                                   |
|--|--------------------------|-----------------------------------|
| <b>Delaware</b>                                | <b>001-14157</b>         | <b>36-2669023</b>                 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

**30 North LaSalle Street, Suite 4000, Chicago, Illinois**  
(Address of principal executive offices)

**60602**  
(Zip Code)

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

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.02. Results of Operations and Financial Condition

On May 7, 2008, Telephone and Data Systems, Inc. ( TDS ) issued a news release announcing its results of operations for the period ended March 31, 2008. A copy of the news release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

The information in this Item 2.02 of Form 8-K is being furnished and shall not be deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits:

In accordance with the provisions of Item 601 of Regulation S-K, any Exhibits filed or furnished herewith are set forth on the Exhibit Index attached hereto.

Attached as Exhibit 99.2 is a safe harbor cautionary statement under the Private Securities Litigation Reform Act of 1995.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on their behalf by the undersigned, thereto duly authorized.

Telephone and Data Systems, Inc.

(Registrant)

Date: May 7, 2008

By: /s/ Douglas D. Shuma  
Douglas D. Shuma  
Senior Vice President and Corporate Controller



EXHIBIT INDEX

The following exhibits are filed or furnished herewith as noted below.

| <b>Exhibit<br/>No.</b> | <b>Description</b>  |
|------------------------|---|
| 99.1                   | Earnings Press Release dated May 7, 2008  |
| 99.2                   | Private Securities Litigation Reform Act of 1995 Safe Harbor Cautionary Statement |





**As previously announced, TDS will hold a teleconference May 7, 2008, at 10:00 a.m. Chicago time. Interested parties may listen to the call live via the Internet by accessing the Conference Calls page of [www.teldta.com](http://www.teldta.com).**

Contact: Mark A. Steinkrauss, Vice President, Corporate Relations

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**FOR RELEASE: IMMEDIATE**

**TDS REPORTS INCREASES IN OPERATING REVENUES, INCOME**

*Note: Comparisons are year over year unless otherwise noted.*

**1Q 2008 Highlights**

**Enterprise/TDS Corporate**

- 8 percent increase in operating revenues, to \$1,249.1 million.
- 8 percent increase in operating income, to \$153.6 million.

- Repurchased 1,041,016 TDS special common shares using \$45.1 million of a \$250 million stock repurchase program authorized in 2007 (\$78.3 million remains).

**Wireless/U.S. Cellular®**

- 12 percent increase in service revenues, to \$962.1 million.
- 49 percent increase in data revenues, to \$115.7 million.
- 7 percent increase in ARPU (average monthly revenue per unit), to \$52.06.
- Retail postpay churn was 1.4 percent; postpay customers comprised 95 percent of retail customers.
- Call quality recognized for fifth consecutive time in J.D. Power and Associates survey.

**Wireline/TDS Telecom**

- Cost controls contributed to slight increase in operating income, to \$37.8 million, despite a 5.3 percent decrease in operating revenues.

- 31 percent increase in ILEC DSL (digital subscriber line) customers, to 154,800; CLEC DSL customers totaled 43,100.
- 29 percent increase in ILEC data revenue, to \$21.2 million.
- ILEC equivalent access lines grew slightly to 767,100; ILEC physical access lines declined to 579,200.

CHICAGO May 7, 2008 Telephone and Data Systems, Inc. [AMEX:TDS, TDS.S] reported operating revenues of \$1,249.1 million for the first quarter of 2008, an increase of eight percent from \$1,156.6 million in the comparable period one year ago. The company recorded operating income of \$153.6 million, an eight percent increase from \$142.8 million in the first quarter of 2007. Net income available to common and diluted earnings per share were \$73.5 million and \$0.62, respectively, compared to \$219.3 million and \$1.85, respectively, in the comparable period one year ago.\*

\*In the first quarter of 2007, the company recorded a gain on investments and financial instruments of \$255.9 million primarily related to the derivative component of the Deutsche Telekom and Vodafone Group Plc variable prepaid forward contracts.

#### **Solid gains in operating revenues and income**

We had solid increases in operating revenues and income this quarter, said LeRoy T. Carlson, Jr., TDS president and CEO. In a competitive marketplace with pressure from the slowing national economy, our focus on an excellent customer experience helped to produce gains in service and data revenues at our wireless unit, and generated strong increases in DSL customers at our wireline unit. We continued our share repurchase programs at TDS and U.S. Cellular to provide additional value to shareholders and minimize dilution from employee benefit plans. TDS continues to emphasize steady growth, with a conservative balance sheet and minimal exposure to credit risk and similar issues currently affecting the financial markets.

#### **Wireless data revenues drove increases in service revenues and ARPU**

U.S. Cellular's customers are increasingly responding to the company's smartphone offerings, continued Carlson, such as the BlackBerry® Pearl introduced in the first quarter. Data plans related to these devices, as well as new data services and strong growth in the use of messaging services, helped to increase data revenues, which in turn increased service revenues and ARPU. The company had solid net retail postpay customer additions, while the net retail postpay churn rate was a low, 1.4 percent. Margins were under pressure, due in part to higher advertising costs, handset subsidies, and network costs.

**Continued growth in wireline DSL; pressure on physical access lines**

In our wireline business, there was a slight increase in overall operating income, added Carlson, which was helped in part by reduced expenses in both the ILEC and CLEC businesses. Our wireline unit continues to experience pressure on its physical access lines, although steady increases in DSL customers and related revenues have largely offset those losses. ILEC data revenues increased 29 percent, as the company continues to strengthen its broadband position with deeper penetration and new high-speed services for residential and commercial customers.

**Guidance**

Guidance for the year ending Dec. 31, 2008 is as follows. There can be no assurance that final results will not differ materially from this guidance.

U.S. Cellular 2008 guidance as of May 7, 2008 is as follows:

|  |                         |
|--|-------------------------|
| Net Retail Customer Additions          | 200,000 - 275,000       |
| Service Revenues                       | \$3.9 - 4.0 billion**   |
| Operating Income                       | \$435 - 510 million     |
| Depreciation, Amortization & Accretion | Approx. \$615 million** |
| Capital Expenditures                   | \$565 - 615 million     |

TDS Telecom (ILEC and CLEC) 2008 guidance as of May 7, 2008 is as follows:

|  |                         |
|--|-------------------------|
| Operating Revenues                     | \$810 - 840 million     |
| Operating Income                       | \$110 - 140 million**   |
| Depreciation, Amortization & Accretion | Approx. \$160 million** |
| Capital Expenditures                   | \$130 - 160 million**   |

\*\*Unchanged from guidance issued on Feb. 29, 2008

This guidance represents the views of management as of May 7, 2008 and should not be assumed to be accurate as of any other date. TDS undertakes no legal duty to update such information, whether as a result of new information, future events, or otherwise.

**TDS special common share repurchase summary**

| Repurchase Period    | # Shares  | Price (in millions) |
|----------------------|-----------|---------------------|
| 2008 (first quarter) | 1,041,016 | \$ 45.1             |
| 2007 (full year)     | 2,076,979 | \$ 126.7            |
| Total                | 3,117,995 | \$ 171.7            |

In 2007, the TDS Board of Directors authorized the repurchase of up to \$250 million in special common shares. As of March 31, 2008, \$78.3 million remained under the authorization.

**Conference call information**



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TDS will hold a conference call on May 7, 2008 at 10:00 a.m. Chicago time.

- Access the live call online at <http://www.videonewswire.com/event.asp?id=48272> or on the Conference Calls page of [www.teldta.com](http://www.teldta.com).
- Access the call by phone at (800) 706-9695 (US/Canada) and use conference ID 45884257.

Before the call, certain financial and statistical information to be discussed during the call will be posted to the Conference Calls page of [www.teldta.com](http://www.teldta.com), together with reconciliations to generally accepted accounting principles (GAAP) of any non-GAAP information to be disclosed. The call will be archived on the Conference Calls page of [www.teldta.com](http://www.teldta.com).

### **About TDS**

Telephone & Data Systems, Inc. (TDS), a Fortune 500® company, provides wireless, local and long-distance telephone, and broadband services to nearly 7.4 million customers in 36 states

through its business units, U.S. Cellular (wireless) and TDS Telecom (wireline). Founded in 1969 and headquartered in Chicago, TDS employed 12,100 people as of March 31, 2008. For more information about TDS, visit [www.teldta.com](http://www.teldta.com).

#### **About U.S. Cellular**

United States Cellular Corporation, the nation's sixth-largest, full-service wireless carrier, provides a comprehensive range of wireless products and services, excellent customer support, and a high-quality network to more than 6.2 million customers in 26 states. The Chicago-based company employed 8,700 associates as of March 31, 2008. For more information about U.S. Cellular, visit [www.uscellular.com](http://www.uscellular.com).

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

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## TELEPHONE AND DATA SYSTEMS, INC.

## SUMMARY OPERATING DATA

| Quarter Ended                            | 3/31/2008  | 12/31/2007 | 9/30/2007  | 6/30/2007  | 3/31/2007  |
|--|------------|------------|------------|------------|------------|
| <b>U.S. Cellular</b>                     |            |            |            |            |            |
| Total Population:                        |            |            |            |            |            |
| Consolidated markets (1)                 | 82,846,000 | 82,371,000 | 81,841,000 | 81,581,000 | 56,048,000 |
| Consolidated operating markets (1)       | 45,262,000 | 44,955,000 | 44,955,000 | 44,955,000 | 44,416,000 |
| All customers:                           |            |            |            |            |            |
| Customer units (2)                       | 6,201,000  | 6,122,000  | 6,067,000  | 6,010,000  | 5,973,000  |
| Gross customer unit additions            | 409,000    | 437,000    | 447,000    | 418,000    | 459,000    |
| Net customer unit additions              | 80,000     | 55,000     | 57,000     | 37,000     | 152,000    |
| Market penetration at end of period:     |            |            |            |            |            |
| Consolidated markets (3)                 | 7.5%       | 7.4%       | 7.4%       | 7.4%       | 10.7%      |
| Consolidated operating markets (3)       | 13.7%      | 13.6%      | 13.5%      | 13.4%      | 13.4%      |
| Retail customers:                        |            |            |            |            |            |
| Customer units (2)                       | 5,640,000  | 5,564,000  | 5,500,000  | 5,448,000  | 5,377,000  |
| Gross customer unit additions            | 360,000    | 367,000    | 374,000    | 347,000    | 397,000    |
| Net customer unit additions              | 85,000     | 64,000     | 52,000     | 71,000     | 146,000    |
| Cell sites in service                    | 6,452      | 6,383      | 6,255      | 6,140      | 6,004      |
| Average monthly revenue per unit (4)     | \$ 52.06   | \$ 52.46   | \$ 52.71   | \$ 50.42   | \$ 48.69   |
| Retail service revenue per unit (4)      | \$ 45.14   | \$ 45.36   | \$ 45.00   | \$ 43.87   | \$ 42.69   |
| Inbound roaming revenue per unit (4)     | \$ 2.93    | \$ 3.09    | \$ 3.36    | \$ 2.68    | \$ 2.33    |
| Long-distance/other revenue per unit (4) | \$ 3.99    | \$ 4.01    | \$ 4.35    | \$ 3.87    | \$ 3.67    |
| Minutes of use (MOU) (5)                 | 948        | 906        | 887        | 858        | 783        |
| Retail postpay churn rate per month (6)  | 1.4%       | 1.5%       | 1.6%       | 1.4%       | 1.3%       |
| Construction Expenditures (000s)         | \$ 111,700 | \$ 188,100 | \$ 130,600 | \$ 137,100 | \$ 109,700 |

(1) Total population of consolidated markets and Total population of consolidated operating markets are used only for the purposes of calculating market penetration of consolidated markets and consolidated operating markets, respectively, which is calculated by dividing customers by the total market population (without duplication of population in overlapping markets).

(2) All customer units and Retail customer units as of March 31, 2008 include one time adjustments, resulting from a review of U.S. Cellular's customer reporting procedures.

(3) Calculated by dividing the number of wireless customers at the end of the period by the total population of consolidated markets and consolidated operating markets, respectively, as estimated by Claritas.

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(4) Per unit revenue measurements are derived from Service Revenues as reported in Financial Highlights for each respective quarter as follows:

|  |    |         |    |         |    |         |    |         |    |         |
|--|----|---------|----|---------|----|---------|----|---------|----|---------|
| Service Revenues per Financial Highlights          | \$ | 962,094 | \$ | 957,896 | \$ | 954,540 | \$ | 906,218 | \$ | 860,583 |
| Components:  |    |         |    |         |    |         |    |         |    |         |
| Retail service revenue during quarter              | \$ | 834,213 | \$ | 828,169 | \$ | 814,948 | \$ | 788,535 | \$ | 754,515 |
| Inbound roaming revenue during quarter             | \$ | 54,089  | \$ | 56,358  | \$ | 60,843  | \$ | 48,084  | \$ | 41,268  |
| Long-distance/other revenue during quarter         | \$ | 73,792  | \$ | 73,369  | \$ | 78,749  | \$ | 69,599  | \$ | 64,800  |
| Divided by average customers during quarter (000s) |    | 6,160   |    | 6,086   |    | 6,036   |    | 5,991   |    | 5,892   |
| Divided by three months in each quarter            |    | 3       |    | 3       |    | 3       |    | 3       |    | 3       |
| Average monthly revenue per unit                   | \$ | 52.06   | \$ | 52.46   | \$ | 52.71   | \$ | 50.42   | \$ | 48.69   |
| Retail service revenue per unit                    | \$ | 45.14   | \$ | 45.36   | \$ | 45.00   | \$ | 43.87   | \$ | 42.69   |
| Inbound roaming revenue per unit                   | \$ | 2.93    | \$ | 3.09    | \$ | 3.36    | \$ | 2.68    | \$ | 2.33    |
| Long-distance/other revenue per unit               | \$ | 3.99    | \$ | 4.01    | \$ | 4.35    | \$ | 3.87    | \$ | 3.67    |

(5) Average monthly local minutes of use per customer (without roaming).

(6) Retail postpay churn rate per month is calculated by dividing the total monthly retail postpay customer disconnects during the quarter by the average retail postpay customer base for the quarter.

## TELEPHONE AND DATA SYSTEMS, INC.

## SUMMARY OPERATING DATA

| Quarter Ended                            | 3/31/2008 | 12/31/2007 | 9/30/2007 | 6/30/2007 | 3/31/2007 |
|--|-----------|------------|-----------|-----------|-----------|
| <b>TDS Telecom</b>                       |           |            |           |           |           |
| <b>ILEC:</b>                             |           |            |           |           |           |
| Access line equivalents (1)              | 767,100   | 762,700    | 763,000   | 761,200   | 763,400   |
| Access lines                             | 579,200   | 585,600    | 595,100   | 601,600   | 610,300   |
| Digital Subscriber Lines (DSL) customers | 154,800   | 143,500    | 135,500   | 127,400   | 118,000   |
| Long Distance customers                  | 344,900   | 345,200    | 346,400   | 346,500   | 343,800   |
| Construction Expenditures (000s)         | \$ 14,600 | \$ 41,300  | \$ 23,500 | \$ 30,900 | \$ 16,100 |
| <b>CLEC:</b>                             |           |            |           |           |           |
| Access line equivalents (1)              | 426,700   | 435,000    | 443,700   | 448,400   | 456,200   |
| Percent of access lines on-switch        | 94.3%     | 94.0%      | 93.9%     | 93.7%     | 93.3%     |
| Digital Subscriber Lines (DSL) customers | 43,100    | 43,300     | 43,600    | 43,800    | 42,600    |
| Construction Expenditures (000s)         | \$ 3,500  | \$ 5,700   | \$ 3,400  | \$ 4,800  | \$ 2,500  |

(1) Equivalent access lines are the sum of physical access lines and high-capacity data lines adjusted to estimate the equivalent number of physical access lines in terms of capacity. A physical access line is the individual circuit connecting a customer to a telephone company's central office facilities.

## TELEPHONE AND DATA SYSTEMS, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS HIGHLIGHTS

Three Months Ended March 31,

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

|   | 2008         | 2007       | Increase (Decrease) |         |
|---|--------------|------------|---------------------|---------|
|   |              |            | Amount              | Percent |
| <b>Operating Revenues</b>                                   |              |            |                     |         |
| U.S. Cellular   | \$ 1,037,856 | \$ 934,674 | \$ 103,182          | 11.0%   |
| TDS Telecom   | 206,076      | 217,622    | (11,546)            | (5.3)%  |
| All Other (1)   | 5,169        | 4,261      | 908                 | 21.3%   |
|   | 1,249,101    | 1,156,557  | 92,544              | 8.0%    |
| <b>Operating Expenses</b>                                   |              |            |                     |         |
| U.S. Cellular   |              |            |                     |         |
| Expenses excluding depreciation, amortization and accretion | 772,687      | 676,894    | 95,793              | 14.2%   |
| Depreciation, amortization and accretion                    | 142,530      | 145,952    | (3,422)             | (2.3)%  |
| Loss on asset disposals, net                                | 3,673        | 3,305      | 368                 | 11.1%   |
|   | 918,890      | 826,151    | 92,739              | 11.2%   |
| TDS Telecom   |              |            |                     |         |
| Expenses excluding depreciation, amortization and accretion | 128,806      | 140,196    | (11,390)            | (8.1)%  |
| Depreciation, amortization and accretion                    | 39,508       | 39,905     | (397)               | (1.0)%  |
| (Gain) on asset disposals, net                              | (21)         |            | (21)                | N/M     |
|   | 168,293      | 180,101    | (11,808)            | (6.6)%  |
| All Other (1)   |              |            |                     |         |
| Expenses excluding depreciation and amortization            | 4,189        | 5,360      | (1,171)             | (21.8)% |
| Depreciation and amortization                               | 4,120        | 2,148      | 1,972               | 91.8%   |
|   | 8,309        | 7,508      | 801                 | 10.7%   |
| Total Operating Expenses                                    | 1,095,492    | 1,013,760  | 81,732              | 8.1%    |
| <b>Operating Income (Loss)</b>                              |              |            |                     |         |
| U.S. Cellular   | 118,966      | 108,523    | 10,443              | 9.6%    |
| TDS Telecom   | 37,783       | 37,521     | 262                 | 0.7%    |
| All Other (1)   | (3,140)      | (3,247)    | 107                 | 3.3%    |
|   | 153,609      | 142,797    | 10,812              | 7.6%    |
| <b>Investment and Other Income (Expense)</b>                |              |            |                     |         |
| Equity in earnings of unconsolidated entities               | 21,470       | 23,696     | (2,226)             | (9.4)%  |
| Interest and dividend income                                | 9,746        | 16,196     | (6,450)             | (39.8)% |
| Gain (loss) on investments and financial instruments        | (3,490)      | 255,870    | (259,360)           | N/M     |
| Interest expense  | (41,380)     | (57,801)   | 16,421              | 28.4%   |
| Other, net  | (199)        | (2,224)    | 2,025               | 91.1%   |
|   | (13,853)     | 235,737    | (249,590)           | N/M     |
| <b>Income Before Income Taxes and Minority Interest</b>     | 139,756      | 378,534    | (238,778)           | (63.1)% |
| Income tax expense  | 49,251       | 141,238    | (91,987)            | (65.1)% |
| <b>Income Before Minority Interest</b>                      | 90,505       | 237,296    | (146,791)           | (61.9)% |
| Minority share of income, net of tax                        | (17,018)     | (17,971)   | 953                 | 5.3%    |
| <b>Net Income</b>   | 73,487       | 219,325    | (145,838)           | (66.5)% |
| Preferred dividend requirement                              | (13)         | (13)       |                     | 0.0%    |
| <b>Net Income Available to Common</b>                       | \$ 73,474    | \$ 219,312 | \$ (145,838)        | (66.5)% |
| <b>Basic Weighted Average Common Shares Outstanding</b>     | 117,570      | 116,837    | 733                 | 0.6%    |
| <b>Basic Earnings Per Share</b>                             | \$ 0.62      | \$ 1.88    | \$ (1.26)           | (67.0)% |
| <b>Diluted Weighted Average Common Shares Outstanding</b>   | 118,191      | 118,383    | (192)               | (0.2)%  |

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|                                   |    |      |    |      |    |        |         |
|-----------------------------------|----|------|----|------|----|--------|---------|
| <b>Diluted Earnings Per Share</b> | \$ | 0.62 | \$ | 1.85 | \$ | (1.23) | (66.5)% |
|-----------------------------------|----|------|----|------|----|--------|---------|

(1) Consists of Suttle Straus printing and distribution operations and intercompany eliminations.

N/M - Percentage change not meaningful

**TELEPHONE AND DATA SYSTEMS, INC.**  
**CONSOLIDATED BALANCE SHEET HIGHLIGHTS**

(Unaudited, dollars in thousands)

| <b>ASSETS</b>                                |                     |           |                     |
|--|---------------------|-----------|---------------------|
|  | <b>March 31,</b>    |           | <b>December 31,</b> |
|  | <b>2008</b>         |           | <b>2007</b>         |
| <b>Current Assets</b>                        |                     |           |                     |
| Cash and cash equivalents                    | \$ 1,209,786        | \$        | 1,174,446           |
| Marketable equity securities                 | 969,311             |           | 1,917,893           |
| Accounts receivable from customers and other | 509,381             |           | 530,421             |
| Inventory                                    | 128,771             |           | 115,818             |
| Other current assets                         | 116,762             |           | 137,010             |
|  | <b>2,934,011</b>    |           | <b>3,875,588</b>    |
| <b>Investments</b>                           |                     |           |                     |
| Licenses                                     | 1,824,144           |           | 1,516,629           |
| Goodwill                                     | 684,164             |           | 679,129             |
| Customer lists                               | 25,794              |           | 25,851              |
| Investments in unconsolidated entities       | 224,282             |           | 206,418             |
| Other investments                            | 11,279              |           | 11,509              |
|  | <b>2,769,663</b>    |           | <b>2,439,536</b>    |
| <b>Property, Plant and Equipment, net</b>    |                     |           |                     |
| U.S. Cellular                                | 2,568,338           |           | 2,595,096           |
| TDS Telecom                                  | 883,544             |           | 900,267             |
| Other  | 30,758              |           | 29,739              |
|  | <b>3,482,640</b>    |           | <b>3,525,102</b>    |
| <b>Other Assets and Deferred Charges</b>     | <b>52,099</b>       |           | <b>53,917</b>       |
| <b>Total Assets</b>                          | <b>\$ 9,238,413</b> | <b>\$</b> | <b>9,894,143</b>    |



## TELEPHONE AND DATA SYSTEMS, INC.

## CONSOLIDATED BALANCE SHEET HIGHLIGHTS (cont d)

(Unaudited, dollars in thousands)

| LIABILITIES AND STOCKHOLDERS EQUITY              | March 31,<br>2008 | December 31,<br>2007 |
|--|-------------------|----------------------|
| <b>Current Liabilities</b>                       |                   |                      |
| Prepaid forward contracts                        | \$ 669,226        | \$ 1,005,512         |
| Current portion of long-term debt                | 4,444             | 3,860                |
| Derivative liability                             | 156,081           | 711,692              |
| Accounts payable                                 | 298,840           | 308,882              |
| Customer deposits and deferred revenues          | 172,377           | 166,191              |
| Accrued interest                                 | 24,264            | 18,456               |
| Accrued taxes                                    | 153,245           | 40,439               |
| Accrued compensation                             | 61,806            | 91,703               |
| Net deferred income tax liability                | 209,074           | 327,162              |
| Other current liabilities                        | 335,535           | 125,622              |
|  | 2,084,892         | 2,799,519            |
| <b>Deferred Liabilities and Credits</b>          |                   |                      |
| Net deferred income tax liability                | 570,747           | 555,593              |
| Asset retirement obligation                      | 177,527           | 173,468              |
| Other deferred liabilities and credits           | 157,195           | 154,602              |
|  | 905,469           | 883,663              |
| <b>Long-Term Debt</b>                            | 1,635,373         | 1,632,226            |
| <b>Minority Interest in Subsidiaries</b>         | 665,701           | 651,537              |
| <b>Preferred Shares</b>                          | 860               | 860                  |
| <b>Common Stockholders Equity</b>                |                   |                      |
| Common Shares, \$.01 par value                   | 566               | 566                  |
| Special Common Shares, \$.01 par value           | 629               | 629                  |
| Series A Common Shares, \$.01 par value          | 64                | 64                   |
| Capital in excess of par value                   | 2,049,738         | 2,048,110            |
| Treasury Shares, at cost                         |                   |                      |
| Common Shares                                    | (119,598)         | (120,544)            |
| Special Common Shares                            | (245,177)         | (204,914)            |
| Accumulated other comprehensive income           | 9,180             | 511,776              |
| Retained earnings                                | 2,250,716         | 1,690,651            |
|  | 3,946,118         | 3,926,338            |
| <b>Total Liabilities and Stockholders Equity</b> | \$ 9,238,413      | \$ 9,894,143         |

**BALANCE SHEET HIGHLIGHTS****MARCH 31, 2008**

(Unaudited, dollars in thousands)

|                                       | U.S.<br>Cellular | TDS<br>Telecom | TDS Corporate<br>& Other | Intercompany<br>Eliminations | TDS<br>Consolidated |
|---------------------------------------|------------------|----------------|--------------------------|------------------------------|---------------------|
| Cash and cash equivalents             | \$ 216,475       | \$ 389,883     | \$ 603,428               | \$                           | \$ 1,209,786        |
| Affiliated cash investments           |                  | 752,090        |                          | (752,090)                    |                     |
| Marketable equity securities          | 16,404           |                | 952,907                  |                              | 969,311             |
| Notes receivable affiliates           |                  |                | 270,582                  | (270,582)                    |                     |
|                                       | \$ 232,879       | \$ 1,141,973   | \$ 1,826,917             | \$ (1,022,672)               | \$ 2,179,097        |
| Licenses, goodwill and customer lists | \$ 2,295,167     | \$ 404,133     | \$ (165,198)             | \$                           | \$ 2,534,102        |
| Investment in unconsolidated entities | 172,586          | 6,528          | 50,644                   | (5,476)                      | 224,282             |
| Other investments                     | 4,391            | 3,118          | 3,770                    |                              | 11,279              |
|                                       | \$ 2,472,144     | \$ 413,779     | \$ (110,784)             | \$ (5,476)                   | \$ 2,769,663        |
| Property, Plant and Equipment, net    | \$ 2,568,338     | \$ 883,544     | \$ 30,758                | \$                           | \$ 3,482,640        |
| Notes payable: cash management        |                  |                | 752,090                  | (752,090)                    |                     |
| intercompany                          |                  | 270,582        |                          | (270,582)                    |                     |
|                                       | \$               | \$ 270,582     | \$ 752,090               | \$ (1,022,672)               | \$                  |
| Forward contracts (all current)       | \$               | \$             | \$ 669,226               | \$                           | \$ 669,226          |
| Long-term Debt:                       |                  |                |                          |                              |                     |
| Current portion                       | \$ 509           | \$ 474         | \$ 3,461                 | \$                           | \$ 4,444            |
| Non-current portion                   | 1,006,395        | 2,995          | 625,983                  |                              | 1,635,373           |
| Total                                 | \$ 1,006,904     | \$ 3,469       | \$ 629,444               | \$                           | \$ 1,639,817        |
| Preferred Shares                      | \$               | \$             | \$ 860                   | \$                           | \$ 860              |
| Construction expenditures:            |                  |                |                          |                              |                     |
| Quarter ended 3/31/08                 | \$ 111,690       | \$ 18,082      | \$ 2,693                 | \$                           | \$ 132,465          |

**TDS Telecom Highlights****Three Months Ended March 31,**

(Unaudited, dollars in thousands)

|   | 2008       | 2007       | Increase (Decrease) |         |
|---|------------|------------|---------------------|---------|
|   |            |            | Amount              | Percent |
| <b>Local Telephone Operations</b>                           |            |            |                     |         |
| <b>Operating Revenues</b>                                   |            |            |                     |         |
| Voice   | \$ 51,576  | \$ 57,522  | \$ (5,946)          | (10.3)% |
| Data  | 21,186     | 16,422     | 4,764               | 29.0%   |
| Network access  | 70,082     | 76,173     | (6,091)             | (8.0)%  |
| Miscellaneous   | 8,971      | 7,475      | 1,496               | 20.0%   |
|   | 151,815    | 157,592    | (5,777)             | (3.7)%  |
| <b>Operating Expenses</b>                                   |            |            |                     |         |
| Cost of services and products                               | 44,834     | 49,097     | (4,263)             | (8.7)%  |
| Selling, general and administrative expenses                | 42,481     | 41,859     | 622                 | 1.5%    |
| Depreciation, amortization and accretion                    | 33,624     | 34,046     | (422)               | (1.2)%  |
| (Gain) on asset disposals                                   | (21)       |            | (21)                | N/M     |
|   | 120,918    | 125,002    | (4,084)             | (3.3)%  |
| <b>Operating Income</b>                                     | \$ 30,897  | \$ 32,590  | \$ (1,693)          | (5.2)%  |
| <b>Competitive Local Exchange Carrier Operations</b>        |            |            |                     |         |
| Revenues  | \$ 56,129  | \$ 61,350  | \$ (5,221)          | (8.5)%  |
| Expenses excluding depreciation, amortization and accretion | 43,359     | 50,560     | (7,201)             | (14.2)% |
| Depreciation, amortization and accretion                    | 5,884      | 5,859      | 25                  | 0.4%    |
|   | 49,243     | 56,419     | (7,176)             | (12.7)% |
| <b>Operating Income</b>                                     | \$ 6,886   | \$ 4,931   | \$ 1,955            | 39.6%   |
| Intercompany revenues                                       | \$ (1,868) | \$ (1,320) | \$ (548)            | N/M     |
| Intercompany expenses                                       | (1,868)    | (1,320)    | (548)               | N/M     |
| <b>Total TDS Telecom Operating Income</b>                   | \$ 37,783  | \$ 37,521  | \$ 262              | 0.7%    |

N/M Percentage change not meaningful.

## TELEPHONE AND DATA SYSTEMS, INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Three Months Ended March 31,

(Unaudited, dollars in thousands)

|   | 2008      | 2007       |
|---|-----------|------------|
| <b>Cash Flows from Operating Activities</b>   |           |            |
| Net income  | \$ 73,487 | \$ 219,325 |
| Add (deduct) adjustments to reconcile net income to net cash flows from operating activities: |           |            |
| Depreciation, amortization and accretion  | 186,158   | 188,005    |
| Bad debts expense   | 20,405    | 12,255     |
| Stock-based compensation expense  | 3,116     | 4,651      |
| Deferred income taxes   | (102,540) | 81,841     |
| (Gain) loss on investments and financial instruments  | 3,490     | (255,870)  |
| Equity in earnings of unconsolidated entities   | (21,470)  | (23,696)   |
| Distributions from unconsolidated entities  | 7,047     | 2,321      |
| Minority share of income  | 17,018    | 17,971     |
| Loss on asset disposals, net  | 3,652     | 3,305      |
| Noncash interest expense  | 5,319     | 5,378      |
| Other noncash expense   | 189       |            |
| Excess tax benefit from stock awards  | (1,138)   | (1,522)    |
| Changes in assets and liabilities from operations   |           |            |
| Change in accounts receivable   | (10,156)  | 20,262     |
| Change in inventory   | (15,485)  | 15,785     |
| Change in accounts payable  | (14,529)  | (27,048)   |
| Change in customer deposits and deferred revenues   | 6,162     | 12,648     |
| Change in accrued taxes   | 149,349   | 55,355     |
| Change in accrued interest  | 5,807     | 5,403      |
| Change in other assets and liabilities  | (46,882)  | (49,901)   |
|   | 268,999   | 286,468    |
| <b>Cash Flows from Investing Activities</b>   |           |            |
| Additions to property, plant and equipment  | (132,465) | (130,717)  |
| Cash paid for acquisitions  | (107,685) | (18,237)   |
| Cash received from divestitures   | 6,838     | 279        |
| Proceeds from sale of investments   | 48,619    |            |
| Other investing activities  | 371       | 2,246      |
|   | (184,322) | (146,429)  |
| <b>Cash Flows from Financing Activities</b>   |           |            |
| Issuance of notes payable   |           | 25,000     |
| Issuance of long-term debt  |           | 454        |
| Repayment of long-term debt   | (928)     | (848)      |
| TDS Common Shares and Special Common Shares reissued for benefit plans, net of tax payments   | 1,103     | 7,040      |
| U.S. Cellular Common Shares issued for benefit plans, net of tax payments                     | (2,526)   | 5,558      |
| Excess tax benefit from stock awards  | 1,138     | 1,522      |
| Repurchase of TDS Special Common Shares   | (40,584)  |            |
| Repurchase of U.S. Cellular Common Shares   | (6,201)   |            |
| Dividends paid  | (13)      | (11,399)   |
| Distributions to minority partners  | (2,588)   | (2,519)    |
| Other financing activities  | 1,262     | (1,769)    |
|   | (49,337)  | 23,039     |

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|  |              |              |
|--|--------------|--------------|
| <b>Net Increase in Cash and Cash Equivalents</b> | 35,340       | 163,078      |
| <b>Cash and Cash Equivalents</b>                 |              |              |
| Beginning of period                              | 1,174,446    | 1,013,325    |
| End of period                                    | \$ 1,209,786 | \$ 1,176,403 |

*PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995*

*SAFE HARBOR CAUTIONARY STATEMENT*

This Form 8-K and/or press release attached to this Form 8-K contain statements that are not based on historical fact and represent forward-looking statements, as this term is defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, that address activities, events or developments that TDS intends, expects, projects, believes, estimates, plans or anticipates will or may occur in the future are forward-looking statements. The words believes, anticipates, estimates, expects, plans, intends, projects, and similar expressions are intended to identify these forward-looking statements, but are not the exclusive means of identifying them. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include those set forth below, as more fully discussed under Risk Factors in the most recent filing of TDS Form 10-K, as updated by any TDS Form 10-Q filed subsequent to such Form 10-K. However, such factors are not necessarily all of the important factors that could cause actual results, performance or achievements to differ materially from those expressed in, or implied by, the forward-looking statements contained in this document. Other unknown or unpredictable factors also could have material adverse effects on future results, performance or achievements. TDS undertakes no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise. You should carefully consider the Risk Factors in the most recent filing of TDS Form 10-K, as updated by any TDS Form 10-Q filed subsequent to such Form 10-K, the following factors and other information contained in, or incorporated by reference into, this Form 8-K and/or press release attached to this Form 8-K to understand the material risks relating to TDS business.

- Intense competition in the markets in which TDS operates could adversely affect TDS revenues or increase its costs to compete.



- A failure by TDS service offerings to meet customer expectations could limit TDS ability to attract and retain customers and could have an adverse effect on TDS operations.





- TDS system infrastructure may not be capable of supporting changes in technologies and services expected by customers, which could result in lost customers and revenues.



- An inability to obtain or maintain roaming arrangements with other carriers on terms that are acceptable to TDS could have an adverse effect on TDS' business, financial condition or results of operations. Such agreements cover traditional voice services as well as data services, which are an area of strong growth for TDS and other carriers. TDS' rate of adoption of new technologies, such as those enabling high-speed data services, could affect its ability to enter into or maintain roaming agreements with other carriers.



- Changes in access to content for data or video services or access to new handsets being developed by vendors, or an inability to manage its supply chain or inventory successfully, could have an adverse effect on TDS' business, financial condition or results of operations.



- A failure by TDS to acquire adequate radio spectrum could have an adverse effect on TDS business and operations.





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- To the extent conducted by the FCC, TDS is likely to participate in FCC auctions of additional spectrum in the future and, during certain periods, will be subject to the FCC's anti-collusion rules, which could have an adverse effect on TDS.



- An inability to attract and/or retain management, technical, sales and other personnel could have an adverse effect on TDS' business, financial condition or results of operations.



- TDS assets are concentrated in the U.S. telecommunications industry. As a result, its results of operations may fluctuate based on factors related entirely to conditions in this industry.



- Consolidation in the telecommunications industry could adversely affect TDS' revenues and increase its costs of doing business.





- Changes in general economic and business conditions, both nationally and in the markets in which TDS operates, could have an adverse effect on TDS business, financial condition or results of operations.



- Changes in various business factors could have an adverse effect on TDS' business, financial condition or results of operations. These business factors may include but are not limited to demand, pricing, growth, average revenue per unit, penetration, churn, expenses, customer acquisition and retention costs, roaming rates, minutes of use, and mix and costs of products and services.



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- Advances or changes in telecommunications technology, such as Voice over Internet Protocol, WiMAX or LTE (Long-Term Evolution), could render certain technologies used by TDS obsolete, could reduce TDS revenues or could increase its costs of doing business.











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- Changes in TDS enterprise value, changes in the supply or demand of the market for wireless licenses or telephone company franchises, adverse developments in the business or the industry in which TDS is involved and/or other factors could require TDS to recognize impairments in the carrying value of TDS license costs, goodwill and/or physical assets.



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- Costs, integration problems or other factors associated with acquisitions/divestitures of properties or licenses and/or expansion of TDS business could have an adverse effect on TDS business, financial condition or results of operations.



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- A significant portion of TDS wireless revenues is derived from customers who buy services through independent agents and dealers who market TDS services on a commission basis. If TDS relationships with these agents and dealers are seriously harmed, its wireless revenues could be adversely affected.





- TDS investments in technologies which are unproven or for which success has not yet been demonstrated may not produce the benefits that TDS expects.



- A failure by TDS to complete significant network construction and system implementation as part of its plans to improve the quality, coverage, capabilities and capacity of its network could have an adverse effect on its operations.



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- Financial difficulties of TDS key suppliers or vendors, or termination or impairment of TDS relationship with such suppliers or vendors could result in a delay or termination of TDS receipt of equipment, content or services which could adversely affect TDS business and results of operations.



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- TDS has significant investments in entities that it does not control. Losses in the value of such investments could have an adverse effect on TDS' results of operations or financial condition.





- War, conflicts, hostilities and/or terrorist attacks or equipment failure, power outages, natural disasters or breaches of network or information technology security could have an adverse effect on TDS' business, financial condition or results of operations.



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- The market prices of TDS Common Shares and Special Common Shares are subject to fluctuations due to a variety of factors such as: general economic conditions; wireless and telecommunications industry conditions; fluctuations in TDS quarterly customer activations, churn rate, revenues, results of operations or cash flows; variations between TDS actual financial and operating results and those expected by analysts and investors; and announcements by TDS competitors.



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- Changes in guidance or interpretations of accounting requirements, changes in industry practice, identification of errors or changes in management assumptions could require amendments to or restatements of financial information or disclosures included in this or prior filings with the SEC.



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- Restatements of financial statements by TDS and related matters, including resulting delays in filing periodic reports with the SEC, could have an adverse effect on TDS' credit rating, liquidity, financing arrangements, capital resources and ability to access the capital markets, including pursuant to shelf registration statements; could adversely affect TDS' listing arrangements on the American Stock Exchange and/or New York Stock Exchange; and/or could have other negative consequences, any of which could have an adverse effect on the trading prices of TDS' publicly traded equity and/or debt and/or on TDS' business, financial condition or results of operations.





- The pending SEC investigation regarding the restatement of TDS financial statements could result in substantial expenses, and could result in monetary or other penalties.



- Changes in facts or circumstances, including new or additional information that affects the calculation of potential liabilities for contingent obligations under guarantees, indemnities or otherwise, could require TDS to record charges in excess of amounts accrued in the financial statements, if any, which could have an adverse effect on TDS financial condition or results of operations.



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- A failure to successfully remediate the existing material weakness in internal control over financial reporting in a timely manner or the identification of additional material weaknesses in the effectiveness of internal control over financial reporting could result in inaccurate financial statements or other disclosures or fail to prevent fraud, which could have an adverse effect on TDS' business, financial condition or results of operations.



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- Early redemptions of debt or repurchases of debt, issuances of debt, changes in prepaid forward contracts, changes in operating leases, changes in purchase obligations or other factors or developments could cause the amounts reported under Contractual Obligations in TDS most recent Annual Report on Form 10-K, as updated by the Quarterly Reports on Form 10-Q, to be different from the amounts actually incurred.





- An increase of TDS debt in the future could subject TDS to various restrictions and higher interest costs and decrease its cash flows and earnings.



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- Uncertainty of access to capital for telecommunications companies, deterioration in the capital markets, other changes in market conditions, changes in TDS credit ratings or other factors could limit or restrict the availability of financing on terms and prices acceptable to TDS, which could require TDS to reduce its construction, development and acquisition programs.









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- Changes in the regulatory environment or a failure by TDS to timely or fully comply with any regulatory requirements could adversely affect TDS financial condition, results of operations or ability to do business.





- Changes in income tax rates, laws, regulations or rulings, or federal or state tax assessments could have an adverse effect on TDS financial condition or results of operations.



- Settlements, judgments, restraints on its current or future manner of doing business and/or legal costs resulting from pending and future litigation could have an adverse effect on TDS' financial condition, results of operations or ability to do business.



- The possible development of adverse precedent in litigation or conclusions in professional studies to the effect that radio frequency emissions from handsets, wireless data devices and/or cell sites cause harmful health consequences, including cancer or tumors, or may interfere with various electronic medical devices such as pacemakers, could have an adverse effect on TDS' wireless business, financial condition or results of operations.



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- Certain matters, such as control by the TDS Voting Trust and provisions in the TDS Restated Certificate of Incorporation, may serve to discourage or make more difficult a change in control of TDS.





- Any of the foregoing events or other events could cause revenues, customer additions, operating income, capital expenditures and/or any other financial or statistical information to vary from TDS' forward looking estimates by a material amount.



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TDS undertakes no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise. Readers should evaluate any statements in light of these important factors.

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