TELEPHONE & DATA SYSTEMS INC /DE/
Form 424B5
November 18, 2010

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Registration No. 333-155078

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
6.875% Senior Notes due 2059	$ 230,000,000	$ 16,399

(1) Includes $30,000,000 principal amount that the underwriters have an option to purchase.

(2) This filing fee is calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.

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PROSPECTUS SUPPLEMENT
(To Prospectus Dated November 16, 2010)

$200,000,000

Telephone and Data Systems, Inc.

6.875% Senior Notes due 2059

We are offering $200,000,000 of our 6.875% Senior Notes due November 15, 2059, which we refer to as the "Notes." The Notes will be our senior unsecured obligations and will rank on a parity with all of our existing and future senior unsecured obligations. We will pay interest on the Notes on February 15, May 15, August 15 and November 15 of each year. The first such payment will be on February 15, 2011. We may redeem the Notes, in whole or in part, at any time on and after November 15, 2015 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date. The Notes will be issued in minimum denominations of $25 and integral multiples thereof.

We intend to list the Notes on the New York Stock Exchange and expect trading in the Notes on the New York Stock Exchange to begin within 30 days after the original issue date. The Notes are expected to trade "flat," meaning that purchasers will not pay and sellers will not receive any accrued and unpaid interest on the Notes that is not included in the trading price.

Investing in the Notes involves risks. See "Risk Factors" beginning on page S-6 and in our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, which are incorporated herein by reference.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total(3)
Public Offering Price(1)	100.00%	$ 200,000,000
Underwriting Discount(2)	3.15%	$ 6,300,000
Proceeds to TDS (before expenses)	96.85%	$ 193,700,000

(1) The public offering price does not include accrued interest, if any. Interest on the Notes will accrue from November 23, 2010 and must be paid by the purchaser if the Notes are delivered after such date.

(2)

An underwriting discount of $0.7875 per Note (or up to $6,300,000 for all Notes) will be deducted from the proceeds paid to us by the underwriters. However, the discount will be $0.5000 per Note for sales to certain institutions and, to the extent of such sales, the total underwriting discount will be less than the amount described in this prospectus supplement. As a result of such sales to certain institutions, the total proceeds to us increased by $232,875.

(3)

Assumes no exercise of over-allotment option.

We have granted the underwriters an option to purchase up to an additional $30,000,000 aggregate principal amount of Notes, at the public offering price less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments, if any.

The underwriters expect to deliver the Notes in book-entry form only through the facilities of The Depository Trust Company on or about November 23, 2010.

Joint Book-Running Managers

BofA Merrill Lynch **Citi** **UBS Investment Bank** **Wells Fargo Securities**

Co-Managers

RBC Capital Markets

BNY Mellon Capital Markets, LLC

Comerica Securities

SunTrust Robinson Humphrey

TD Securities

US Bancorp

The date of this prospectus supplement is November 16, 2010.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT

All references to "TDS," the "Company," "we," "us" and "our" in this prospectus supplement or the accompanying prospectus refer to Telephone and Data Systems, Inc.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and certain other matters. The second part, the accompanying prospectus, gives more general information about us and the Notes offered hereby. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. To the extent the description of the Notes in this prospectus supplement differs from the description of the Notes in the accompanying prospectus, you should rely on the information in this prospectus supplement.

ALTERNATIVE SETTLEMENT DATE

It is expected that delivery of the Notes will be made on or about the date specified on the cover page of this prospectus supplement, which will be the fifth business day following the date of this prospectus supplement. Under Rule 15c6-1 of the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act") trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, the purchasers who wish to trade Notes on the date of this prospectus supplement or the next succeeding business day will be required to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of Notes who wish to trade Notes on the date of this prospectus supplement or the next succeeding business day should consult their own advisors.

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SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information and consolidated financial information appearing elsewhere in or incorporated by reference into this prospectus supplement.

TDS

TDS is a diversified telecommunications service company with wireless telephone and wireline telephone operations. Our business development strategy is to expand our existing operations through internal growth and acquisitions and to explore and develop other telecommunications and related businesses that we believe will utilize our expertise in customer-focused telecommunications services. United States Cellular Corporation, an 83%-owned subsidiary of TDS, which we refer to as "U.S. Cellular," operates and invests in wireless telephone companies and properties. TDS Telecommunications Corporation, a wholly-owned subsidiary of TDS, which we refer to as "TDS Telecom," operates wireline telephone companies. TDS is a Delaware corporation that is the successor to Telephone and Data Systems, Inc., an Iowa corporation, which was originally incorporated in 1968. In 1998, the Iowa corporation was merged with and into TDS, with TDS surviving the merger as a Delaware corporation. TDS' corporate headquarters are located at 30 N. LaSalle, Suite 4000, Chicago, Illinois 60602, and its telephone number is (312) 630-1900.

For the nine months ended September 30, 2010, TDS had total revenues, operating income and net income attributable to TDS shareholders of $3,721.1 million, $271.5 million and $129.3 million, respectively.

U.S. Cellular Wireless Telephone Operations

U.S. Cellular positions itself as a regional operator, focusing its efforts on providing wireless service to customers in the geographic areas where it has licenses to provide such service. U.S. Cellular differentiates itself from its competitors through a customer satisfaction strategy, striving to meet or exceed customer needs by providing a comprehensive range of wireless products and services, excellent customer support, and a high-quality network. U.S. Cellular's business development strategy is to acquire and operate controlling interests in wireless licenses in areas adjacent to or in proximity to its other wireless licenses, thereby building contiguous operating market areas. U.S. Cellular believes that operating in contiguous market areas will continue to provide it with certain economies in its capital and operating costs. TDS believes that U.S. Cellular is the sixth largest wireless operating company in the United States at September 30, 2010, based on the number of customers that it serves in its consolidated markets.

- U.S. Cellular's customer base was 6,103,000 at September 30, 2010. U.S. Cellular's average penetration in its consolidated operating markets was 13.1% at September 30, 2010. U.S. Cellular believes the success of its strategy is reflected in its average monthly postpay churn rate of 1.5% for the nine months ended September 30, 2010.

- For the nine months ended September 30, 2010, U.S. Cellular had total revenues and operating income of $3,114.5 million and $201.0 million, respectively.

- At September 30, 2010, U.S. Cellular operated in five geographic market areas in 26 states, which represents a total population of 46,546,000. U.S. Cellular has interests in consolidated markets which cover a population of 90,468,000 as of September 30, 2010.

TDS Telecom Wireline Telephone Operations

TDS Telecom provides high-quality telecommunications services, including full-service local exchange service, long-distance telephone service and broadband access, to rural and suburban area

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communities. TDS Telecom's business plan is designed as a full-service telecommunications company, including both incumbent local exchange carrier and competitive local exchange carrier operations. TDS Telecom's strategy is to be the preferred provider of telecommunications and related service, including voice, broadband and video services, in its chosen markets. TDS Telecom operates 115 telephone company subsidiaries that are incumbent local exchange carriers. TDS Telecom also provides telecommunications services as a competitive local exchange carrier.

At September 30, 2010, TDS Telecom served approximately 773,800 equivalent access lines in 28 states through its incumbent local exchange carrier ("ILEC") subsidiaries. At September 30, 2010, TDS Telecom also served approximately 338,700 equivalent access lines through its competitive local exchange carrier ("CLEC") subsidiaries. An equivalent access line is derived by converting a high capacity data line to an estimated equivalent, in terms of capacity, number of switched access lines. TDS Telecom also served 370,800 long distance customers at September 30, 2010.

For the nine months ended September 30, 2010, TDS Telecom had total revenues and operating income of $596.7 million and $75.0 million, respectively.

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THE OFFERING

Issuer	Telephone and Data Systems, Inc.
Notes Offered	$200,000,000 of 6.875% Senior Notes due 2059 (the "Notes") issued in minimum denominations of $25 and integral multiples thereof.
Maturity Date	The Notes will mature on November 15, 2059.
Interest	The Notes will bear interest from November 23, 2010 at the rate of 6.875% per year, payable quarterly in arrears.
Interest Payment Dates	February 15, May 15, August 15 and November 15 of each year, beginning February 15, 2011.
Optional Redemption	We may redeem the Notes, in whole or in part, at any time on and after November 15, 2015 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date.
Ranking	The Notes are senior unsecured obligations and will rank on a parity with all of our existing and future senior unsecured obligations. However, in certain circumstances the Notes may become effectively subordinated to the claims of the holders of certain other indebtedness of the Company, of which approximately $616.25 million is currently outstanding. See "Description of the Notes Ranking" and "Description of Other Indebtedness." In addition, because TDS is a holding company which conducts substantially all of its operations through subsidiaries, the right of TDS, and therefore the right of creditors of TDS, including the holders of the Notes, to participate in any distribution of the assets of any subsidiary upon its liquidation or reorganization or otherwise is subject to the prior claims of creditors of the subsidiary, except to the extent that claims of TDS itself as a creditor of the subsidiary may be recognized.
Use of Proceeds	We expect to use the proceeds to redeem some of our 7.6% Series A Notes due 2041, of which $500 million in aggregate principal amount is outstanding. See "Use of Proceeds."
Certain Covenants	The Notes contain certain restrictions, including a limitation on our ability to incur secured debt and a limitation on our ability to enter into sale and leaseback transactions. See "Description of the Notes Certain Covenants of TDS."
Listing of the Notes	We intend to list the Notes on the New York Stock Exchange and expect trading in the Notes on the New York Stock Exchange to begin within 30 days after the original issue date.
Governing Law	Illinois.
Trustee	The Bank of New York Mellon Trust Company, N.A.
Risk Factors	Investing in the Notes involves risks. You should carefully consider the information set forth in the section of this prospectus supplement entitled "Risk Factors" beginning on page S-6, as well as the other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus before deciding whether to invest in the Notes.

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SELECTED FINANCIAL DATA

The balance sheet data as of December 31, 2008 and 2009 and statement of operations data for each of the years ended December 31, 2007, 2008 and 2009 are derived from our audited financial statements and related notes, which are incorporated by reference herein from TDS' Current Report on Form 8-K dated August 5, 2010. The balance sheet data as of December 31, 2007 are derived from our audited financial statements and related notes, which are not incorporated by reference herein, or from the revised financial information filed on TDS' Current Report on Form 8-K dated August 5, 2010, which is incorporated by reference herein. The balance sheet data as of September 30, 2009 and 2010 and the statement of operations data for the nine months then ended are derived from our unaudited financial statements and related notes, which are incorporated by reference herein, and which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods. The results of operations for the nine months ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year.

	Year Ended December 31,			Nine Months Ended September 30,	
	2007	2008	2009	2009	2010
	(Dollars in thousands)				
Statement of Operations Data:					
Operating revenues	$ 4,822,471	$ 5,091,388	$ 5,019,943	$ 3,758,033	$ 3,721,070
Operating income(a)	512,747	128,747	403,265	372,766	271,538
Interest (expense)	(209,525)	(139,304)	(126,209)	(93,898)	(86,520)
Income before income taxes and extraordinary item	669,510	152,194	380,909	355,841	265,408
Net income attributable to TDS shareholders	385,267	88,496	188,965	177,236	129,326
Balance Sheet Data:					
Cash and cash equivalents	1,174,446	777,309	670,992	778,159	390,008
Short-term investments		27,705	113,275	136,400	389,052
Investments:					
Licenses	1,516,629	1,441,440	1,443,025	1,453,526	1,453,526
Goodwill	679,129	707,079	707,840	707,840	718,635
Unconsolidated entities	206,418	205,768	203,799	219,760	214,114
Other	37,360	44,655	36,374	35,573	156,488
Total investments	2,439,536	2,398,942	2,391,038	2,416,699	2,542,763
Total assets(b)	9,896,659	7,665,851	7,612,313	7,745,405	7,693,831
Total long-term debt (including current maturities)(b)	1,636,086	1,636,759	1,495,417	1,636,105	1,493,826
Other Data:					
Depreciation, amortization and accretion expense	749,390	749,967	748,826	557,218	570,619
Capital expenditures	699,566	734,923	671,165	450,594	486,138
Wireless customers	6,102,000	6,196,000	6,141,000	6,131,000	6,103,000
Wireline equivalent access lines(c)	1,197,700	1,169,700	1,131,800	1,136,800	1,112,500
Ratio of earnings to fixed charges(d)	3.52x	1.67x	2.99x	3.39x	2.84x

(a) Includes loss on impairment of intangible assets of $14.0 million in 2009, $414.4 million in 2008 and $24.9 million in 2007.

(b) As of December 31, 2007, TDS assets also included $1,917,893 of current marketable equity securities, substantially all of which were subject to variable prepaid forward contracts, reflected as a current liability of $1,005,512, and a related derivative liability, reflected as a current liability of $711,692, at December 31, 2007. All variable prepaid forward contracts and related derivative liabilities were settled in 2008 through the delivery of securities that had been included in current marketable equity securities, and in cash, and all remaining current marketable equity securities were disposed of in 2008.

(c) An equivalent access line is derived by converting a high capacity data line to an estimated equivalent, in terms of capacity, number of switched access lines.

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(d) For purposes of calculating this ratio, earnings consist of income from continuing operations before income taxes, fixed charges, distributions from unconsolidated investments and amortization of capitalized interest, less equity in undistributed earnings of unconsolidated investments, and noncontrolloing interest in pretax income of subsidiaries that have not incurred fixed charges. Fixed charges consist of interest expense, capitalized interest, amortization of deferred debt expenses and estimated interest portion of rentals. Interest expense on income tax contingencies is not included in fixed charges.

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RISK FACTORS

Our business is subject to risks and uncertainties. Before deciding whether to invest in our Notes, you should carefully consider and evaluate all of the information included and incorporated by reference in this prospectus supplement and the accompanying prospectus, including the risks described below and the risks described in our Annual Report on Form 10-K for the year ended December 31, 2009, as updated by our Quarterly Reports on Form 10-Q. It is possible that our business, financial condition, liquidity or results of operations could be materially adversely affected by any of such risks. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations.

We have a significant amount of indebtedness, which could adversely affect our financial performance and impact our ability to make payments on the Notes.

Our level of indebtedness could have important consequences to the holders of the Notes. See "Capitalization." For example, it:

- may limit our ability to obtain additional financing for working capital, capital expenditures or general corporate purposes, particularly if the ratings assigned to our debt securities by rating organizations are revised downward;

- will require us to dedicate a substantial portion of our cash flow from operations to the payment of interest and principal on our debt, reducing the funds available to us for other purposes including expansion through acquisitions, capital expenditures, marketing spending and expansion of our business; and

- may limit our flexibility to adjust to changing business and market conditions and make us more vulnerable to a downturn in general economic conditions as compared to our competitors.

Our financial performance and other factors could adversely impact our ability to make payments on the Notes.

Our ability to make scheduled payments or to refinance our obligations with respect to our indebtedness will depend on our financial and operating performance, which, in turn, is subject to prevailing economic and competitive conditions and other factors beyond our control. In addition, our leverage may put us at a competitive disadvantage to some of our competitors that are not as leveraged.

Ratings of the Notes may not reflect all risks of an investment in the Notes.

We expect that the Notes will be rated by at least one nationally recognized statistical rating organization. A debt rating is not a recommendation to purchase, sell or hold the Notes. These ratings do not correspond to market price or suitability for a particular investor. Additionally, ratings may be lowered or withdrawn in their entirety at any time. Any real or anticipated downgrade or withdrawal of a rating by a rating agency that rates the Notes could have an adverse effect on the trading prices or liquidity of the Notes.

Changes in our credit rating could adversely affect the market price of the Notes.

Following the offering, the market price for the Notes will be based on a number of factors, including our ratings with major credit rating agencies. Credit rating agencies revise their ratings for the companies that they follow from time to time, including us. We cannot be sure that credit rating agencies will maintain their current ratings. A negative change in our ratings could have an adverse effect on the market price of the Notes.

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Changes in the credit markets could adversely affect the market price of the Notes.

Following the offering, the market price for the Notes will be based on a number of factors, including:

- the prevailing interest rates being paid by other companies similar to us; and
- the overall condition of the financial markets.

The condition of the credit markets and prevailing interest rates have fluctuated in the past and can be expected to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the price and liquidity of the Notes.

An increase in market interest rates could result in a decrease in the relative value of the Notes.

In general, as market interest rates rise, notes bearing interest at a fixed rate generally decline in value. Consequently, if you purchase these Notes and market interest rates increase, the market values of your Notes may decline. We cannot predict the future level of market interest rates.

We may not be able to comply with certain debt covenants, which could cause some of our other debt to become accelerated.

The credit facilities of TDS and its subsidiaries, the indentures and other documents defining the rights of holders of existing indebtedness of TDS and its subsidiaries and the Notes offered hereby contain various covenants. See "Description of Other Indebtedness." Although we are currently in compliance and intend to continue to comply with these covenants, we cannot assure you that we will be able to do so. Restrictions contained in these and other debt instruments may limit our operating and financial flexibility. An event of default, including a failure to comply with any of such covenants and/or restrictions, could make some or all of such debt immediately due and payable. The acceleration of a material portion of our indebtedness could have a material adverse effect on our financial position.

An active trading market may not develop for the Notes, which could adversely affect the price of the Notes in the secondary market and your ability to resell the Notes should you desire to do so.

The Notes are a new issue of securities and there is no established trading market for the Notes. We intend to apply for listing of the Notes on the New York Stock Exchange; however, we cannot make any assurance as to:

- the development of an active trading market;
- the liquidity of any trading market that may develop;
- the ability of holders to sell their Notes; or
- the price at which the holders would be able to sell their Notes.

If a trading market were to develop, the future trading prices of the Notes will depend on many factors, including prevailing interest rates, our credit ratings published by major credit rating agencies, the market for similar securities and our operating performance and financial condition. If a trading market develops, there is no assurance that it will continue.

We could enter into various transactions that could increase the amount of our outstanding debt, or adversely affect our capital structure or credit rating, or otherwise adversely affect holders of the Notes.

Subject to certain exceptions relating to incurring certain liens or entering into certain sale and leaseback transactions, the terms of the Notes do not prevent us from entering into a variety of acquisition, divestiture, refinancing, recapitalization or other highly leveraged transactions. As a result, we could enter into any such transaction even though the transaction could increase the total amount of our outstanding indebtedness, adversely affect our capital structure or credit rating or otherwise adversely affect the holders of the Notes.

Our holding company structure results in structural subordination and may affect our ability to make payments on the Notes.

As a holding company, substantially all of our income and operating cash flow is dependent upon the earnings of our subsidiaries and the distribution of those earnings to, or upon loans or other payments of funds by those subsidiaries to, us. As a result, we rely upon our subsidiaries to generate the funds necessary to meet our obligations, including the payment of amounts owed under the Notes. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due pursuant to the Notes or, subject to limited exceptions under certain intercompany agreements, to make any funds available to us to pay our obligations, whether by dividends, loans or other payments. Certain of our subsidiaries' loan agreements contain various restrictions on the transfer of funds to us, including certain provisions that restrict the amount of dividends that may be paid to us. Moreover, our rights to receive assets of any subsidiary upon its liquidation or reorganization (and the ability of holders of Notes to benefit indirectly therefrom) will be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors.

Redemption may adversely affect your return on the Notes.

We have the right to redeem some or all of the Notes prior to maturity, as described under "Description of the Notes Redemption and Repayment." We may redeem the Notes at times when prevailing interest rates may be relatively low compared to rates at the time of issuance of the Notes. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

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USE OF PROCEEDS

The net proceeds to be received by us from the offering, after deducting underwriting discounts and commissions and other offering expenses payable by us, are estimated to be approximately $193 million. We expect to use approximately $193 million of the net proceeds from the offering to redeem some of our 7.6% Series A Notes due 2041, of which $500 million in aggregate principal amount is outstanding. Until the proceeds are used for these purposes, we may deposit them in interest-bearing accounts or invest them in short-term investment securities.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and short-term investments, short-term debt and capitalization at September 30, 2010 (i) on an actual basis and (ii) as adjusted to give effect to the sale of the Notes offered hereby in the aggregate principal amount of $200 million, and the use of $193 million of such amount to redeem some of our 7.6% Series A Notes due 2041. Such redemption requires that the remaining capitalized debt issuance costs on the 7.6% Series A Notes due 2041 be reduced pro rata in accordance with the amount redeemed. This reduction of $5,160,000 will be recorded as an expense upon redemption and thereby reduce Retained Earnings. The table should be read in conjunction with our financial statements, the notes to our financial statements and the other financial data included in or incorporated by reference into this prospectus supplement and the accompanying prospectus.

	As of September 30, 2010 (unaudited)	
	Actual	As Adjusted
	(Dollars in thousands, except per share amounts)	
Cash and cash equivalents and short-term investments:		
Cash and cash equivalents	$ 390,008	$ 390,008
Short-term investments	389,052	389,052
Total cash and cash equivalents and short-term investments	$ 779,060	$ 779,060
Short-term debt:		
Revolving Credit Facilities	$	$
Current portion of long-term debt	1,804	1,804
Total short-term debt	$ 1,804	$ 1,804
Long-term debt:		
TDS 7.6% Series A Notes due 2041	$ 500,000	$ 307,000
TDS 6.625% Senior Notes due 2045	116,250	116,250
U.S. Cellular debt	867,881	867,881
TDS Telecom debt	2,372	2,372
Notes offered hereby		200,000
Other	7,323	7,323
Less: current portion of long-term debt	(1,804)	