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The TDS mission is to provide outstanding communication services to our customers, and to meet the needs of our shareholders, our people and our communities. In following this mission, we seek to continuously grow our businesses, create opportunities for our associates and employees, and steadily build value over the long term for our shareholders.

### Consolidated Operating Results

The TDS companies made progress on their strategies in 2010, despite a challenging economy and intense competition in their markets.

- U.S. Cellular, our wireless business, successfully transitioned to the leadership of CEO Mary N. Dillon, whose strong consumer products background, operational experience and customer understanding complement her skilled senior management team.
- U.S. Cellular introduced The Belief Project<sup>SM</sup>, an innovative platform for providing a wireless customer experience that distinguishes us from competitors.
- TDS Telecom, our wireline business, increased revenues, improved operating margins, and increased penetration of data services among its residential and commercial customers.
- TDS increased its dividend for the 36<sup>th</sup> consecutive year, and recently announced its 37<sup>th</sup> increase.

TDS' overall profitability declined, however, due to rising costs of acquiring wireless customers, and to modest declines in wireless revenues and customers. At the same time, growth in smartphone sales and use of data services led to improvement in average revenue per customer and in customer loyalty.

The TDS companies' focus on customer satisfaction led to important third-party recognition. U.S. Cellular was named the nation's best wireless service carrier by a leading consumer advocacy organization. And, both U.S. Cellular and TDS Telecom were selected as J.D. Power and Associates' 2011 Customer Service Champions, based on studies conducted in 2010.

TDS and U.S. Cellular were also among only 200 companies in the nation to be designated "Most Trustworthy" by *Forbes Magazine* and Audit Integrity for transparent accounting practices.

### Building Value for Shareholders

TDS is committed to growing shareholder value over the long term. TDS repurchased Special Common Shares in 2010 through a \$250 million program authorized in 2009, and we plan to continue to do so at a measured rate. Additionally, we continue to evaluate approaches to reducing the trading discount on the TDS Special Common Shares, relative to the TDS Common Shares.

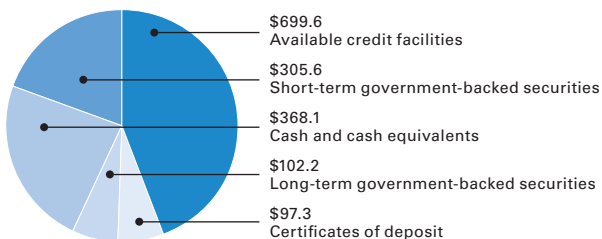
### Strengthening Our Financial Foundation

TDS' financial team made a concerted effort in 2010 to increase our financial flexibility and reduce interest expense. TDS and U.S. Cellular replaced revolving credit agreements with new agreements that extended maturity dates and carried more favorable terms. TDS also issued \$225 million of new senior notes at 6.875 percent, and used the proceeds to redeem some of our 7.6 percent notes.

We ended 2010 with a strong balance sheet and ample liquidity, giving us the flexibility to support our businesses by investing in infrastructure improvement and growth opportunities. We believe that our long-term strategies will enable us to reach our return on capital targets in each of our businesses.

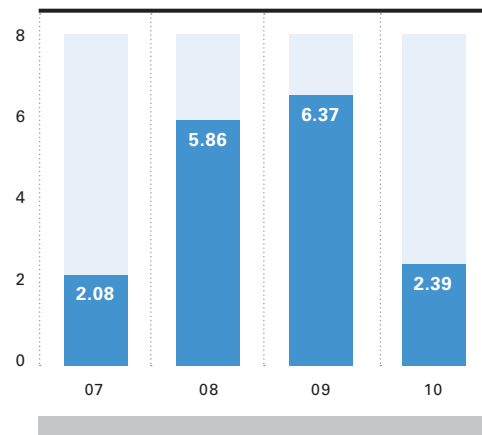
### Liquidity

(in millions)



### Shares Repurchased (TDS Common and Special Common)

(in millions)



Among the 200 Most Trustworthy Companies in the U.S.

– *Forbes Magazine* and Audit Integrity

### Advocating for Our Customers

U.S. Cellular and TDS Telecom continued to advocate in 2010 on critical policy issues that could impact our ability to serve our customers. As the Federal Communications Commission (FCC) seeks to implement additional portions of the National Broadband Plan, we are closely monitoring potential changes to the Universal Service Fund and will work to assure high-quality wireless and wireline services for our rural customers. We are also actively supporting the FCC's efforts to make additional sources of wireless spectrum available and attainable.

For U.S. Cellular, 2010 was a year of great innovation and exciting transition, tempered by challenging economic conditions and intense competition.

**Differentiating through the Customer Experience**

The Belief Project<sup>SM</sup>, launched in October, leveraged U.S. Cellular’s heritage of customer focus to elevate the wireless customer experience with an exclusive set of services and features. By the end of February 2011, 1.7 million new and existing customers had selected U.S. Cellular Belief Plans and were enjoying one-and-done contracts, faster phone upgrades, loyalty points, overage protection and forgiveness, phone replacement with premium plans, and discounts for automatic payment.

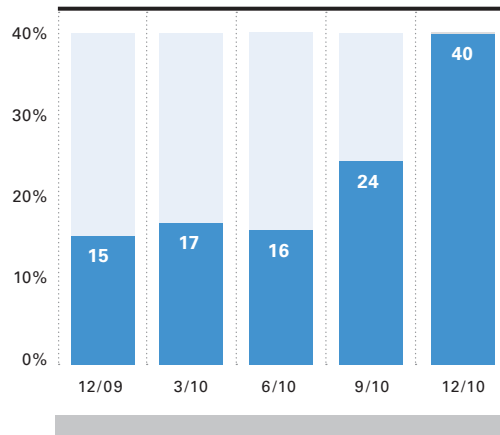
2010 Customer Value Enhancement of the Year Award for North America – Frost & Sullivan

**Increasing Smartphone Sales and Data Use**

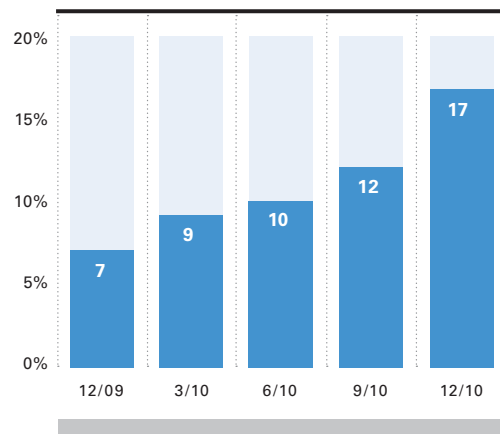
In addition to launching The Belief Project, U.S. Cellular brought Android<sup>®</sup>-powered devices to its customers in 2010, including the popular Samsung Mesmerize<sup>™</sup> (a Galaxy S<sup>™</sup> smartphone) and Samsung Galaxy Tab<sup>™</sup>. This helped to drive very strong growth in smartphone sales, which led to greater use of data services and, in turn, slightly higher average revenue per customer. At the end of 2010, smartphone customers were nearly 17 percent of U.S. Cellular’s postpaid base, compared to seven percent at the end of 2009, and smartphones were 25 percent of the total devices sold in 2010.

While the subsidies for higher-end smartphones are substantial and reduce profitability in the short term, U.S. Cellular anticipates that the higher lifetime value of smartphone customers will justify these initial expenses.

Smartphones as a Percentage of Total Devices Sold



Smartphone Customers as a Percentage of Postpaid Customers



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### Ensuring Outstanding Communications Experiences

As the amount of data on U.S. Cellular's network more than tripled in 2010, the company maintained the highest call quality and network satisfaction of any nationwide carrier, according to Nielsen data. U.S. Cellular strengthened its network capacity and coverage by adding 366 new cell sites and expanding and upgrading its network equipment. The company completed its 4G/LTE technical trials, and obtained vendor proposals for LTE implementation that will begin in 2011.

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Highest Call Quality Performance Among Wireless Cell Phone Users In North Central Region, Eleven Times in a Row

– J.D. Power and Associates

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### Improving Agility and Efficiency

In 2009, U.S. Cellular began work on multi-year enablement initiatives designed to enhance its understanding of customers and help the company develop, market, sell and deliver services faster and more effectively. In 2010, U.S. Cellular selected a vendor to implement its largest initiative, the Billing and Operational Support System. The company also transitioned to a new website platform that enables customers to activate service, purchase devices and plans, and manage their accounts online. And, through the Enterprise Data Warehouse / Customer Relationship Management initiative, U.S. Cellular is more effectively targeting recommendations to customers.

## TDS Telecom



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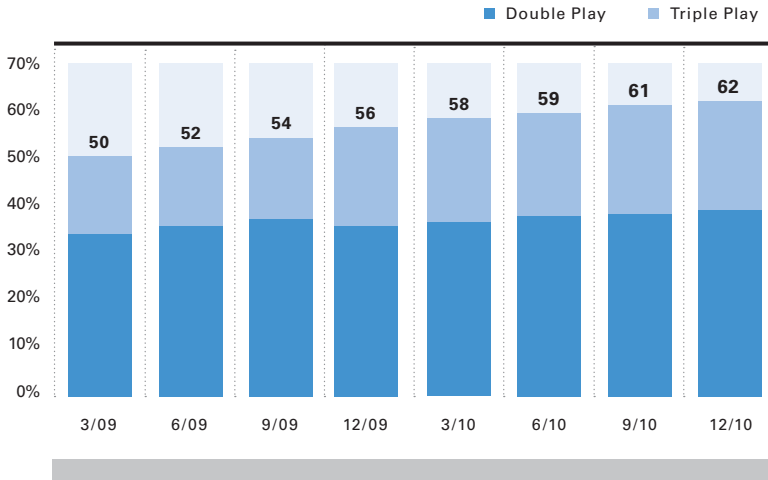
TDS Telecom performed well in 2010, increasing revenues through growth in data services, and improving operating margins by reducing operational costs and increasing efficiency. The company kept physical access line losses moderate.

Following a tremendous effort, TDS Telecom was approved through the American Recovery and Reinvestment Act of 2009 for 44 projects to bring access to high-speed broadband to rural communities. TDS Telecom will receive \$105.1 million in federal grants, and will provide \$30.9 million of its own funds to complete the projects.

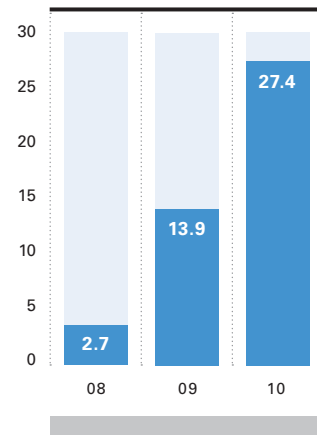
### Driving Broadband Growth

TDS Telecom increased its ILEC data revenues in 2010 with acquisitions and strong broadband penetration, fueled by an aggressive strategy to increase broadband speeds. At year end, more than three-quarters of the company's ILEC customers had 3 Mbps or higher speeds, and more than half of ILEC access lines were capable of providing at least 10 Mbps.

### ILEC Residential Bundle Penetration



### managedIP Stations (in thousands)



#### Increasing Residential Customer Loyalty

Broadband service is key to TDS Telecom's residential bundling strategy. The company's most loyal customers are those who buy a combination of services. In fact, the monthly churn rate is a very low 0.5 percent for customers who purchase triple-play bundles of voice, broadband and video from TDS Telecom. More than 62 percent of TDS Telecom's residential ILEC customers had double- or triple-play bundles at the end of 2010.

#### 2011 Customer Service Champion

– J.D. Power and Associates

#### Building a Strong Commercial Base

Meeting the data services needs of commercial customers is a significant growth focus for TDS Telecom. In 2010, the company expanded availability of its flagship commercial data service, *managedIP*—now in 13 states—and nearly doubled the number of *managedIP* customer stations.

To capitalize on the growing demand for data centers and hosted and managed services, TDS acquired two companies in 2010—VISI, Inc. and TEAM Technologies—which are operated by TDS Telecom. We believe there is substantial growth potential for these services, and we are actively seeking additional opportunities to build on the hosted and managed services offerings.

#### Suttle-Straus

Suttle-Straus, TDS' majority-owned marketing and graphic communications solutions provider, improved its margins in 2010, despite reduced demand for printed materials.

As commercial customers remain cautious about the economy, Suttle-Straus is increasing efficiency and maintaining a lean cost structure through continuous improvement initiatives.



Profitable growth for U.S. Cellular and TDS Telecom depends on attracting new customers and building customer loyalty. Our companies are united in their goal to improve performance by enhancing the quality of the customer experience. We are also committed to improving our operational systems and processes to boost efficiency and reduce our cost structures.

### U.S. Cellular

U.S. Cellular's strategy is to compete effectively and improve profitability by offering innovative customer experiences that attract new customers, build loyalty and help to increase revenue per customer. The company's priorities in 2011 are to:

- Increase awareness and consideration of U.S. Cellular through brand positioning and targeted marketing, and by building advocacy from our loyal customers.
- Drive smartphone penetration and use of data services by offering a competitive portfolio of devices, including at least 13 new Android<sup>®</sup>-, BlackBerry<sup>®</sup>- and Windows<sup>®</sup>-based smartphones in 2011.
- Maintain award-winning call quality and high network satisfaction, and launch 4G/LTE in selected markets.
- Enable more targeted marketing, and faster development and rollout of new services, through strategic enablement initiatives.
- Evaluate potential new revenue sources and opportunities to reduce costs.

### TDS Telecom

TDS Telecom plans to drive profitable growth by increasing its residential and commercial market share through competitive new services and products, enhanced network reliability, and outstanding customer service. The company's goals in 2011 are to:

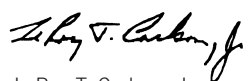
- Build residential market share by offering attractive service bundles, increasing data speeds, and building customer relationships with complementary services.

- Begin the expansion of IPTV services in selected markets.
- Increase *managed*IP penetration among commercial customers, and introduce new bundled and integrated applications.
- Build the scale and scope of the hosted and managed services offerings through carefully targeted acquisitions and organic growth.
- Bring critical broadband access to additional rural areas through 44 broadband stimulus projects.

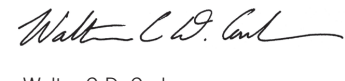
The TDS companies have many opportunities ahead. While we operate in an environment of economic and competitive challenges, we are well-prepared to compete effectively and improve profitability. We will continue to enhance the customer experience, offer innovative services and products, and improve operational systems and processes across the enterprise.

We want to take this opportunity to thank the 12,400 associates and employees of the TDS companies for your many accomplishments in 2010, and for the work you are now doing to move U.S. Cellular, TDS Telecom and Suttle-Straus forward. We also express our deep appreciation to our shareholders and debt holders for your continuing support.

Cordially yours,



LeRoy T. Carlson, Jr.  
President and Chief  
Executive Officer



Walter C.D. Carlson  
Chairman of the Board