IGLESIAS LISA G
Form 4
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FORM 4

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
IGLESIAS LISA G

(Last) (First) (Middle)

1 FOUNTAIN SQUARE

(Street)

CHATTANOOGA, TN 37402

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Unum Group [UNM]

3. Date of Earliest Transaction (Month/Day/Year)
03/01/2019

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP, General Counsel

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/01/2019		F		522 (1)	D	$ 37.67	48,378 (2)	D	
Common Stock	03/01/2019		F		582 (3)	D	$ 37.67	47,796 (4)	D	
Common Stock	03/01/2019		A		9,969 (5)	A	$ 0	57,765 (6)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
IGLESIAS LISA G 1 FOUNTAIN SQUARE CHATTANOOGA, TN 37402			EVP, General Counsel	

Signatures

/s/ Jullienne, J. Paul, Attorney-in-Fact	03/05/2019
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares withheld to satisfy tax withholding obligation applicable to the vesting of 2,142.871 stock-settled RSUs (as defined in footnote (2) below).

(2) Includes 9,445 restricted stock units, which may be settled, on a 1-for-1 basis, only in shares of common stock ("stock-settled RSUs"), and 38,934 shares of common stock. Fractional amounts have been rounded to the nearest whole number.

(3) Shares withheld to satisfy tax withholding obligation applicable to the vesting of 2,387.626 stock-settled RSUs.

(4) Includes 7,057 stock-settled RSUs and 40,739 shares of common stock. Fractional amounts have been rounded to the nearest whole number.

(5) All are stock-settled RSUs, which vest in three equal annual installments beginning on March 1, 2020.

(6) Includes 17,026 stock-settled RSUs and 40,739 shares of common stock. Fractional amounts have been rounded to the nearest whole number.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Aquinas Wireless L.P. ("Aquinas Wireless"); and

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King Street Wireless L.P. ("King Street Wireless") and King Street Wireless, Inc., the general partner of King Street Wireless.

The power to direct the activities that most significantly impact the economic performance of Advantage Spectrum, Aquinas Wireless and King Street Wireless (collectively, the "limited partnerships") is shared. Specifically, the general partner of these VIEs has the exclusive right to manage, operate and control the limited partnerships and make all decisions to carry on the business of the partnerships; however, the general partner of each partnership needs the consent of the limited partner, a TDS subsidiary, to sell or lease certain licenses, to make certain large expenditures, admit other partners or liquidate the limited partnerships. Although the power to direct the activities of the VIEs is shared, TDS has a disproportionate level of exposure to the variability associated with the economic performance of the VIEs, indicating that TDS is the primary beneficiary of the VIEs. Accordingly, these VIEs are consolidated.

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

December 31,		**2015**		2014
(Dollars in thousands)				
Assets				
Cash and cash equivalents	**$**	**1,435**	$	2,588
Other current assets		**265**		278
Licenses1		**648,661**		312,977
Property, plant and equipment, net		**7,722**		10,671
Other assets and deferred charges		**147**		60,059
Total assets	**$**	**658,230**	$	386,573
Liabilities				
Current liabilities	**$**	**143**	$	110
Deferred liabilities and credits		**489**		622
Total liabilities	**$**	**632**	$	732

1 At December 31, 2015, includes purchases totaling $338.3 million made by Advantage Spectrum from the FCC as described below.

Other Related Matters

In March 2015, King Street Wireless made a $60.0 million distribution to its investors. Of this distribution, $6.0 million was provided to King Street Wireless, Inc. and $54.0 million was provided to U.S. Cellular.

FCC Auction 97 ended in January 2015. TDS participated in Auction 97 indirectly through its interest in Advantage Spectrum. A subsidiary of U.S. Cellular is a limited partner in Advantage Spectrum. Advantage Spectrum applied as a "designated entity," and expects to receive bid credits with respect to spectrum purchased in Auction 97. Advantage Spectrum was the winning bidder for 124 licenses for an aggregate bid of $338.3 million, after its expected designated entity discount of 25%. This amount is classified as Licenses in TDS' Consolidated Balance Sheet. Advantage Spectrum's bid amount, less the initial deposit of $60.0 million paid in 2014, plus certain other charges totaling $2.3 million, were paid to the FCC in March 2015. These licenses have not yet been granted by and are still pending before the FCC. To help fund this payment, U.S. Cellular made loans and capital contributions to Advantage Spectrum and Frequency Advantage totaling $280.6 million during 2015. TDS' capital contributions and advances made to its VIEs totaled $60.9 million in 2014. There were no capital contributions or advances made to VIEs in 2013.

Advantage Spectrum, Aquinas Wireless and King Street Wireless were formed to participate in FCC auctions of wireless spectrum and to fund, establish, and provide wireless service with respect to any FCC licenses won in the auctions. As such, these entities have risks similar to those described in the "Risk Factors" in TDS' Form 10-K for the year ended December 31, 2015.

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

The limited partnership agreements of Advantage Spectrum, Aquinas Wireless and King Street Wireless also provide the general partner with a put option whereby the general partner may require the limited partner, a subsidiary of U.S. Cellular, to purchase its interest in the limited partnership. The general partner's put options related to its interests in King Street Wireless and Aquinas Wireless will become exercisable in 2019 and 2020, respectively. The general partner's put options related to its interest in Advantage Spectrum will become exercisable on the fifth and sixth anniversaries of the issuance of any license. The put option price is determined pursuant to a formula that takes into consideration fixed interest rates and the market value of U.S. Cellular's Common Shares. Upon exercise of the put option, the general partner is required to repay borrowings due to U.S. Cellular. If the general partner does not elect to exercise its put option, the general partner may trigger an appraisal process in which the limited partner (a subsidiary of U.S. Cellular) may have the right, but not the obligation, to purchase the general partner's interest in the limited partnership at a price and on other terms and conditions specified in the limited partnership agreement. In accordance with requirements

95

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

under GAAP, TDS is required to calculate a theoretical redemption value for all of the put options assuming they are exercisable at the end of each reporting period, even though such exercise is not contractually permitted. Pursuant to GAAP, this theoretical redemption value, net of amounts payable to U.S. Cellular for loans and accrued interest thereon made by U.S. Cellular to the general partners ("net put value"), was $1.1 million and $1.2 million at December 31, 2015 and 2014, respectively. The net put value is recorded as Noncontrolling interests with redemption features in TDS' Consolidated Balance Sheet. Also in accordance with GAAP, changes in the redemption value of the put options, net of interest accrued on the loans, are recorded as a component of Net income attributable to noncontrolling interests, net of tax, in TDS' Consolidated Statement of Operations.

During 2015, TDS recorded out-of-period adjustments attributable to 2013 and 2014, related to an agreement with King Street Wireless. TDS has determined that these adjustments were not material to the prior quarterly or annual periods, and also were not material to the full year 2015 results. As a result of these out-of-period adjustments, Net income decreased by $2.8 million and Net income attributable to TDS shareholders decreased by $3.3 million in 2015.

NOTE 15 NONCONTROLLING INTERESTS

The following schedule discloses the effects of Net income attributable to TDS shareholders and changes in TDS' ownership interest in U.S. Cellular on TDS' equity for 2015, 2014 and 2013:

Year Ended December 31,		**2015**		2014		2013
(Dollars in thousands)						
Net income (loss) attributable to TDS shareholders	**$**	**219,037**	$	(136,355)	$	141,927
Transfer (to) from the noncontrolling interests						
Change in TDS' Capital in excess of par value from U.S. Cellular's issuance of U.S. Cellular shares		**(14,785)**		(12,420)		(14,135)
Change in TDS' Capital in excess of par value from U.S. Cellular's repurchase of U.S. Cellular shares		**1,325**		1,296		3,370
Change in TDS' Capital in excess of par value from common control transaction				7,484		
Purchase of ownership in subsidiaries from noncontrolling interests		**240**		(1,034)		(123)
Net transfers (to) from noncontrolling interests		**(13,220)**		(4,674)		(10,888)
Change from net income (loss) attributable to TDS shareholders and transfers (to) from noncontrolling interests	**$**	**205,817**	$	(141,029)	$	131,039

Mandatorily Redeemable Noncontrolling Interests in Finite-Lived Subsidiaries

TDS' consolidated financial statements include certain noncontrolling interests that meet the GAAP definition of mandatorily redeemable financial instruments. These mandatorily redeemable noncontrolling interests represent interests held by third parties in consolidated partnerships, where the terms of the underlying partnership agreement provide for a defined termination date at which time the assets of the subsidiary are to be sold, the liabilities are to be extinguished and the remaining net proceeds are to be distributed to the noncontrolling interest holders and TDS in accordance with the respective partnership agreements. The termination dates of these mandatorily redeemable noncontrolling interests range from 2085 to 2113.

The estimated aggregate amount that would be due and payable to settle all of these noncontrolling interests, assuming an orderly liquidation of the finite-lived consolidated partnerships on December 31, 2015, net of estimated liquidation costs, is $15.7 million. This amount excludes redemption amounts recorded in Noncontrolling interests with redemption features in the Consolidated Balance Sheet. The estimate of settlement value was based on certain factors and assumptions which are subjective in nature. Changes in those factors and assumptions could result in a materially larger or smaller settlement amount. TDS currently has no plans or intentions relating to the liquidation of any of the related partnerships prior to their scheduled termination dates. The corresponding carrying value of the mandatorily redeemable noncontrolling interests in finite-lived consolidated partnerships at December 31, 2015 was $4.2 million, and is included in Noncontrolling interests in the Consolidated Balance Sheet. The excess of the aggregate settlement value over the aggregate carrying value of these mandatorily redeemable noncontrolling interests is due primarily to the unrecognized appreciation of the noncontrolling interest holders' share of the underlying net assets in the consolidated partnerships. Neither the noncontrolling interest holders' share, nor TDS' share, of the appreciation of the underlying net assets of these subsidiaries is reflected in the consolidated financial statements.

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 COMMON SHAREHOLDERS' EQUITY

Common Stock

As of December 31, 2015, Series A Common Shares were convertible, on a share for share basis, into Common Shares and 7,211,260 Common Shares were reserved for possible issuance upon conversion of Series A Common Shares.

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

	Common Shares	Common Treasury Shares	Series A Common Shares
(Shares in thousands)			
Balance at December 31, 2012	125,512	24,641	7,160
Repurchase of shares		339	
Conversion of Series A Common Shares	33		(33)
Dividend reinvestment, incentive and compensation plans		(1,026)	39
Balance at December 31, 2013	125,545	23,954	7,166
Repurchase of shares		1,542	
Conversion of Series A Common Shares	25		(25)
Dividend reinvestment, incentive and compensation plans		(646)	38
Balance at December 31, 2014	125,570	24,850	7,179
Conversion of Series A Common Shares	1		(1)
Dividend reinvestment, incentive and compensation plans		(1,034)	33
Balance at December 31, 2015	125,571	23,816	7,211

Tax-Deferred Savings Plan

TDS has reserved 90,341 Common Shares at December 31, 2015, for issuance under the TDS Tax-Deferred Savings Plan, a qualified profit-sharing plan pursuant to Sections 401(a) and 401(k) of the Internal Revenue Code. Participating employees have the option of investing their contributions and TDS' contributions in a TDS Common Share fund, a U.S. Cellular Common Share fund or certain unaffiliated funds.

Common Share Repurchases

TDS and U.S. Cellular Share Repurchases

On August 2, 2013, the Board of Directors of TDS authorized a $250 million stock repurchase program for the purchase of TDS Common Shares from time to time pursuant to open market purchases, block transactions, private purchases or otherwise, depending on market conditions. This authorization does not have an expiration date.

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

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Share repurchases made under these authorizations were as follows:

Year Ended December 31,	Number of Shares		Average Cost Per Share		Amount
(Shares and dollar amounts in thousands, except per share amounts)					
2015					
U.S. Cellular Common Shares	178	$	34.86	$	6,188
TDS Common Shares					
2014					
U.S. Cellular Common Shares	496	$	38.19	$	18,943
TDS Common Shares	1,542		25.36		39,096
2013					
U.S. Cellular Common Shares	499	$	37.19	$	18,544
TDS Common Shares	339		28.60		9,692

NOTE 17 STOCK-BASED COMPENSATION

TDS Consolidated

The following table summarizes stock-based compensation expense recognized during 2015, 2014 and 2013:

Year Ended December 31,		2015		2014		2013
(Dollars in thousands)						
Stock option awards	**$**	**18,431**	$	15,802	$	12,973
Restricted stock unit awards		**20,067**		17,968		15,535
Deferred compensation bonus and matching stock unit awards		**622**		690		550
Awards under Non-Employee Director compensation plan		**1,280**		1,333		1,280
Total stock-based compensation, before income taxes		**40,400**		35,793		30,338
Income tax benefit		**(15,267)**		(13,519)		(11,459)
Total stock-based compensation expense, net of income taxes	**$**	**25,133**	$	22,274	$	18,879

At December 31, 2015, unrecognized compensation cost for all stock-based compensation awards was $42.8 million and is expected to be recognized over a weighted average period of 1.9 years.

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

December 31,		2015		2014		2013
(Dollars in thousands)						
Selling, general and administrative expense	$	37,465	$	32,505	$	27,130
Cost of services and products		2,935		3,288		3,208
Total stock-based compensation	$	40,400	$	35,793	$	30,338

TDS' tax benefits realized from the exercise of stock options and other awards totaled $7.7 million in 2015.

TDS (Excluding U.S. Cellular)

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

Under the TDS Long-Term Incentive Plans, TDS may grant fixed and performance based incentive and non-qualified stock options, restricted stock, restricted stock units, and deferred compensation stock unit awards to key employees.

TDS had reserved 17,389,000 Common Shares at December 31, 2015 for equity awards granted and to be granted under the TDS Long-Term Incentive Plans in effect. At December 31, 2015, the only types of awards outstanding are fixed non-qualified stock option awards, restricted stock unit awards, and deferred compensation stock unit awards.

Explanation of Responses:

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TDS has also established a Non-Employee Directors' compensation plan under which it has reserved 139,000 TDS Common Shares at December 31, 2015 for issuance as compensation to members of the Board of Directors who are not employees of TDS.

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

Long-Term Incentive Plan Stock Options Stock options granted to key employees are exercisable over a specified period not in excess of ten years. Stock options generally vest over periods up to three years from the date of grant. Stock options outstanding at December 31, 2015 expire between 2016 and 2025. However, vested stock options typically expire 30 days after the effective date of an employee's termination of employment for reasons other than retirement. Employees who leave at the age of retirement have 90 days (or one year if they satisfy certain requirements) within which to exercise their vested stock options. The exercise price of options equals the market value of TDS common stock on the date of grant.

TDS estimated the fair value of stock options granted in 2015, 2014 and 2013 using the Black Scholes valuation model and the assumptions shown in the table below:

	2015	2014	2013
Expected life	**6.1 years**	5.8 years	5.7 years
Expected annual volatility rate	**30.8%**	39.6%	41.0%
Dividend yield	**1.9%**	2.0%	2.3%
Risk-free interest rate	**1.8%**	1.8%	1.0%
Estimated annual forfeiture rate	**3.2%**	2.9%	2.9%

A summary of TDS stock options (total and portion exercisable) and changes during 2015, is presented in the tables and narrative below.

Common Share Options	**Number of Options**	**Weighted Average Exercise Prices**	**Aggregate Intrinsic Value**	**Weighted Average Remaining Contractual Life (in years)**
Outstanding at December 31, 2014	9,140,000	$ 30.25		
(6,487,000 exercisable)		32.93		
Granted	998,000	29.26		
Exercised	(575,000)	23.11		
Forfeited	(21,000)	26.30		
Expired	(407,000)	37.09		
Outstanding at December 31, 2015	9,135,000	$ 30.29	$ 9,531,000	5.3
(6,009,000 exercisable)		$ 32.54	$ 5,548,000	3.8

The weighted average grant date fair value per share of the TDS stock options granted in 2015, 2014 and 2013 was $7.66, $8.66 and $7.01, respectively. The aggregate intrinsic value of TDS stock options exercised in 2015, 2014 and 2013 was $3.8 million, $0.2 million and $2.5 million, respectively. The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between TDS' closing stock prices and the exercise price, multiplied by the number of in-the-money options) that was received by the option holders upon exercise or that would have been received by option holders had all options been exercised on December 31, 2015.

Long-Term Incentive Plans Restricted Stock Units TDS also grants restricted stock unit awards to key employees. Each outstanding restricted stock unit is convertible into one Common Share Award. The restricted stock unit awards currently outstanding were granted in 2013, 2014 and 2015 and will vest in 2016, 2017 and 2018, respectively.

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

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of TDS nonvested restricted stock units and changes during 2015, is presented in the table below:

Common Restricted Stock Units	Number		Weighted Average Grant Date Fair Value
Nonvested at December 31, 2014	692,000	$	23.20
Granted	368,000	$	27.57
Forfeited	(16,000)	$	25.60
Nonvested at December 31, 2015	1,044,000	$	24.70

No restricted stock units vested during 2015. The total fair values as of the respective vesting dates of restricted stock units vested during 2014 and 2013 were $7.5 million and $5.8 million, respectively. The weighted average grant date fair value per share of the restricted stock units granted in 2015, 2014 and 2013 was $27.57, $25.26 and $21.09, respectively.

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

The total fair values of deferred compensation stock units that vested during 2015, 2014 and 2013 were $0.1 million, $0.1 million and $0.1 million, respectively. The weighted average grant date fair value per share of the deferred compensation stock units granted in 2015, 2014 and 2013 was $25.36, $23.27 and $21.99, respectively. As of December 31, 2015, there were 261,000 vested but unissued deferred compensation stock units valued at $6.8 million.

Compensation of Non-Employee Directors TDS issued 28,000, 33,000 and 33,000 Common Shares under its Non-Employee Director plan in 2015, 2014 and 2013, respectively.

Dividend Reinvestment Plans ("DRIP") TDS had reserved 605,000 Common Shares at December 31, 2015, for issuance under Automatic Dividend Reinvestment and Stock Purchase Plans and 107,000 Series A Common Shares for issuance under the Series A Common Share Automatic Dividend Reinvestment Plan. These plans enabled holders of TDS' Common Shares and Preferred Shares to reinvest cash dividends in Common Shares and holders of Series A Common Shares to reinvest cash dividends in Series A Common Shares. The purchase price of the shares is 95% of the market value, based on the average of the daily high and low sales prices for TDS' Common Shares on the New York Stock Exchange for the ten trading days preceding the date on which the purchase is made. These plans are considered non-compensatory plans; therefore no compensation expense is recognized for stock issued under these plans.

U.S. Cellular

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

U.S. Cellular has established the following stock-based compensation plans: Long-Term Incentive Plans and a Non-Employee Director compensation plan.

Under the U.S. Cellular Long-Term Incentive Plans, U.S. Cellular may grant fixed and performance based incentive and non-qualified stock options, restricted stock, restricted stock units, and deferred compensation stock unit awards to key employees. At December 31, 2015, the only types of awards outstanding are fixed non-qualified stock option awards, restricted stock unit awards, and deferred compensation stock unit awards.

Under the Non-Employee Director compensation plan, U.S. Cellular may grant Common Shares to members of the Board of Directors who are not employees of U.S. Cellular or TDS.

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On June 25, 2013, U.S. Cellular paid a special cash dividend to all holders of U.S. Cellular Common Shares and Series A Common Shares as of June 11, 2013. Outstanding U.S. Cellular stock options, restricted stock unit awards and deferred compensation stock units were equitably adjusted for the special cash dividend. The impact of such adjustments are fully reflected for all years presented. See Note 5 Earnings Per Share for additional information.

At December 31, 2015, U.S. Cellular had reserved 9,340,000 Common Shares for equity awards granted and to be granted under the Long-Term Incentive Plans and 183,000 Common Shares for issuance under the Non-Employee Director compensation plan.

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

Long-Term Incentive Plans Stock Options Stock options granted to key employees are exercisable over a specified period not in excess of ten years. Stock options generally vest over a period of three years from the date of grant. Stock options outstanding at December 31, 2015 expire between 2016 and 2025. However, vested stock options typically expire 30 days after the effective date of an employee's termination of employment for reasons other than retirement. Employees who leave at the age of retirement have 90 days (or one year if they satisfy certain requirements) within which to exercise their vested stock options. The exercise price of options equals the market value of U.S. Cellular Common Shares on the date of grant.

U.S. Cellular estimated the fair value of stock options granted during 2015, 2014 and 2013 using the Black-Scholes valuation model and the assumptions shown in the table below.

	2015	2014	2013
Expected life	**4.6 years**	4.5 years	4.6-9.0 years
Expected annual volatility rate	**30.1%**	28.0%-28.1%	29.2%-39.6%
Dividend yield	**0%**	0%	0%
Risk-free interest rate	**1.2%**	1.4%-1.5%	0.7%-2.4%
Estimated annual forfeiture rate	**9.7%**	9.4%	0.0%-8.1%

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

A summary of U.S. Cellular stock options outstanding (total and portion exercisable) and changes during 2015, is presented in the table below:

Common Share Options	**Number of Options**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**	**Weighted Average Remaining Contractual Life (in years)**
Outstanding at December 31, 2014	3,388,000	$ 41.51		
(1,586,000 exercisable)		45.28		
Granted	1,279,000	36.42		
Exercised	(321,000)	32.94		
Forfeited	(110,000)	37.57		
Expired	(134,000)	43.77		

Outstanding at December 31, 2015	4,102,000	$ 40.62	$ 11,292,000	6.8
(1,849,000 exercisable)		$ 44.33	$ 3,733,000	4.6

The weighted average grant date fair value per share of the U.S. Cellular stock options granted in 2015, 2014 and 2013 was $9.94, $10.68 and $11.53, respectively. The aggregate intrinsic value of U.S. Cellular stock options exercised in 2015, 2014 and 2013 was $2.1 million, $2.0 million and $6.8 million, respectively. The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between U.S. Cellular's closing stock price and the exercise price multiplied by the number of in-the-money options) that was received by the option holders upon exercise or that would have been received by option holders had all options been exercised on December 31, 2015.

101

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

A summary of U.S. Cellular nonvested restricted stock units at December 31, 2015 and changes during the year then ended is presented in the table below:

Common Restricted Stock Units	**Number**		**Weighted Average Grant Date Fair Value**
Nonvested at December 31, 2014	1,142,000	$	35.60
Granted	478,000		37.24
Vested	(349,000)		34.05
Forfeited	(77,000)		35.76
Nonvested at December 31, 2015	1,194,000	$	36.70

The total fair value of restricted stock units that vested during 2015, 2014 and 2013 was $12.9 million, $11.1 million and $8.8 million, respectively. The weighted average grant date fair value per share of the restricted stock units granted in 2015, 2014 and 2013 was $37.24, $41.24 and $32.06, respectively.

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

The total fair value of deferred compensation stock units that vested during 2015 and 2013 was $0.2 million and less than $0.1 million, respectively. The weighted average grant date fair value per share of the deferred compensation stock units granted in 2015 and 2013 was $35.96 and $31.50, respectively. There were no deferred compensation stock units granted or that vested during 2014. As of December 31, 2015, there were 6,000 vested but unissued deferred compensation stock units valued at $0.2 million.

Compensation of Non-Employee Directors U.S. Cellular issued 15,000, 14,200 and 13,000 Common Shares in 2015, 2014 and 2013, respectively, under its Non-Employee Director compensation plan.

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 BUSINESS SEGMENT INFORMATION

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

Financial data for TDS' reportable segments for 2015, 2014 and 2013, is as follows. See Note 1 Summary of Significant Accounting Policies and Recent Accounting Pronouncements for additional information.

		TDS Telecom						
Year Ended or as of December 31, 2015	**U.S. Cellular**	**Wireline**	**Cable**	**HMS**	**TDS Telecom Eliminations**	**TDS Telecom Total**	**Corporate, Eliminations and Other**	**Total**
(Dollars in thousands)								
Operating revenues								
Service	$ 3,350,431	$ 698,938	$ 174,529	$ 116,810	$ (4,621)	$ 985,656	$ (14,118)	$ 4,321,969
Equipment and product sales	646,422	1,965	437	169,985		172,387	35,463	854,272
Total operating revenues	3,996,853	700,903	174,966	286,795	(4,621)	1,158,043	21,345	5,176,241
Cost of services (excluding Depreciation, amortization and accretion expense reported below)	775,042	254,879	78,758	85,163	(4,334)	414,466	1,402	1,190,910
Cost of equipment and products	1,052,810	2,212	169	142,927		145,308	25,913	1,224,031
Selling, general and administrative	1,493,730	193,850	53,738	47,104	(287)	294,405	(7,672)	1,780,463
Depreciation, amortization	606,455	165,841	35,271	26,948		228,060	9,846	844,361

and accretion							
(Gain) loss on asset disposals, net	16,313	5,094	691	89	5,874	(11)	22,176
(Gain) loss on sale of business and other exit costs, net	(113,555)	(9,530)			(9,530)	(12,802)	(135,887)
(Gain) loss on license sales and exchanges	(146,884)						(146,884)
Operating income (loss)	312,942	88,557	6,339	(15,436)	79,460	4,669	397,071
Equity in earnings of unconsolidated entities	140,083	17			17	(24)	140,076
Interest and dividend income	36,332	2,193	37	35	2,265	186	38,783
Interest expense	(86,194)	1,133	458	(2,329)	(738)	(54,787)	(141,719)
Other, net	466	(22)	3	(98)	(117)	42	391
Income (loss) before income taxes	403,629	91,878	6,837	(17,828)	80,887	(49,914)	434,602
Income tax expense (benefit)1	156,334				34,972	(19,314)	171,992
Net income (loss)	247,295				45,915	(30,600)	262,610
Add back:							
Depreciation, amortization and accretion	606,455	165,841	35,271	26,948	228,060	9,846	844,361
(Gain) loss on asset disposals, net	16,313	5,094	691	89	5,874	(11)	22,176
(Gain) loss on sale of business and other exit costs, net	(113,555)	(9,530)			(9,530)	(12,802)	(135,887)
(Gain) loss on license sales and exchanges	(146,884)						(146,884)
	86,194	(1,133)	(458)	2,329	738	54,787	141,719

Interest expense								
Income tax expense (benefit)1	156,334					34,972	(19,314)	171,992
Adjusted EBITDA2	$ 852,152	$ 252,150	$ 42,341	$ 11,538	$	$ 306,029	$ 1,906	$ 1,160,087
Investments in unconsolidated entities	$ 363,384	$ 3,802	$	$	$	$ 3,802	$ 34,534	$ 401,720
Total assets	$ 7,059,978	$ 1,312,394	$ 577,788	$ 285,929	$	$ 2,176,111	$ 186,373	$ 9,422,462
Capital expenditures	$ 533,053	$ 140,433	$ 51,573	$ 27,059	$	$ 219,065	$ 7,250	$ 759,368

103

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		TDS Telecom						
Year Ended or as of December 31, 2014	U.S. Cellular	Wireline	Cable	HMS	TDS Telecom Eliminations	TDS Telecom Total	Corporate, Eliminations and Other	Total
(Dollars in thousands)								
Operating revenues								
Service	$ 3,397,937	$ 714,586	$ 116,855	$ 109,766	$ (3,697)	$ 937,510	$ (6,793)	$ 4,328,654
Equipment and product sales	494,810	1,836		148,966		150,802	35,172	680,784
Total operating revenues	3,892,747	716,422	116,855	258,732	(3,697)	1,088,312	28,379	5,009,438
Cost of services (excluding Depreciation, amortization and accretion expense reported below)	769,911	256,878	54,265	77,392	(3,504)	385,031	9,716	1,164,658
Cost of equipment and products	1,192,669	2,336		126,362		128,698	25,444	1,346,811
Selling, general and administrative	1,591,914	189,956	36,175	53,020	(193)	278,958	(5,065)	1,865,807
Depreciation, amortization and accretion	605,997	169,044	23,643	26,912		219,599	10,936	836,532
Loss on impairment of assets				84,000		84,000	3,802	87,802
(Gain) loss on asset disposals, net	21,469	2,091	2,482	181		4,754	308	26,531
(Gain) loss on sale of business and other exit costs, net	(32,830)	(2,357)				(2,357)	19,341	(15,846)

(Gain) loss on license sales and exchanges	(112,993)						(112,993)
Operating income (loss)	(143,390)	98,474	290	(109,135)	(10,371)	(36,103)	(189,864)
Equity in earnings of unconsolidated entities	129,764	8			8	2,193	131,965
Interest and dividend income	12,148	2,396	8	26	2,430	2,379	16,957
Interest expense	(57,386)	2,695	95	(1,602)	1,188	(55,199)	(111,397)
Other, net	160	(32)	(1)	12	(21)	(24)	115
Income (loss) before income taxes	(58,704)	103,541	392	(110,699)	(6,766)	(86,754)	(152,224)
Income tax expense (benefit)1	(11,782)				17,590	(10,740)	(4,932)
Net income (loss)	(46,922)				(24,356)	(76,014)	(147,292)
Add back:							
Depreciation, amortization and accretion	605,997	169,044	23,643	26,912	219,599	10,936	836,532
Loss on impairment of assets				84,000	84,000	3,802	87,802
(Gain) loss on asset disposals, net	21,469	2,091	2,482	181	4,754	308	26,531
(Gain) loss on sale of business and other exit costs, net	(32,830)	(2,357)			(2,357)	19,341	(15,846)
(Gain) loss on license sales and exchanges	(112,993)						(112,993)
Interest expense	57,386	(2,695)	(95)	1,602	(1,188)	55,199	111,397
Income tax expense (benefit)1	(11,782)				17,590	(10,740)	(4,932)

Adjusted EBITDA2	$ 480,325	$ 269,624	$ 26,422	$ 1,996	$	$ 298,042	$ 2,832	$ 781,199
Investments in unconsolidated entities	$ 283,014	$ 3,803	$	$	$	$ 3,803	$ 34,912	$ 321,729
Total assets3	$ 6,462,309	$ 1,419,478	$ 563,585	$ 268,972	$	$ 2,252,035	$ 140,078	$ 8,854,422
Capital expenditures	$ 557,615	$ 135,805	$ 35,640	$ 36,618	$	$ 208,063	$ 4,899	$ 770,577

104

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		TDS Telecom							
Year Ended or as of December 31, 2013	U.S. Cellular	Wireline	Cable	HMS	TDS Telecom Eliminations	TDS Telecom Total	Corporate, Eliminations and Other	Total
(Dollars in thousands)								
Operating revenues								
Service	$ 3,594,773	$ 723,372	$ 35,883	$ 94,875	$ (1,063)	$ 853,067	$ (4,349)	$ 4,443,491
Equipment and product sales	324,063	3,195		90,741		93,936	39,746	457,745
Total operating revenues	3,918,836	726,567	35,883	185,616	(1,063)	947,003	35,397	4,901,236
Cost of services (excluding Depreciation, amortization and accretion reported below)	763,435	266,635	17,274	60,423	(1,000)	343,332	11,416	1,118,183
Cost of equipment and products	999,000	3,831		75,991		79,822	28,311	1,107,133
Selling, general and administrative	1,677,395	220,097	11,054	44,945	(63)	276,033	(5,650)	1,947,778
Depreciation, amortization and accretion	803,781	170,868	7,571	24,262		202,701	11,595	1,018,077
(Gain) loss on asset disposals, net	30,606	130	28	125		283	(48)	30,841
(Gain) loss on sale of business and other exit costs, net	(246,767)						(53,889)	(300,656)
(Gain) loss on license sales and exchanges	(255,479)							(255,479)

Operating income (loss)	146,865	65,006	(44)	(20,130)		44,832	43,662	235,359
Equity in earnings of unconsolidated entities	131,949	19				19	746	132,714
Interest and dividend income	3,961	1,759	2	63		1,824	3,307	9,092
Gain (loss) on investments	18,556	830				830	(4,839)	14,547
Interest expense	(43,963)	3,265	(74)	(1,626)		1,565	(56,413)	(98,811)
Other, net	288	(214)		29		(185)	(140)	(37)
Income (loss) before income taxes	257,656	70,665	(116)	(21,664)		48,885	(13,677)	292,864
Income tax expense (benefit)1	113,134					19,084	(6,175)	126,043
Net income (loss)	144,522					29,801	(7,502)	166,821
<u>Add back:</u>								
Depreciation, amortization and accretion	803,781	170,868	7,571	24,262		202,701	11,595	1,018,077
(Gain) loss on asset disposals, net	30,606	130	28	125		283	(48)	30,841
(Gain) loss on sale of business and other exit costs, net	(246,767)						(53,889)	(300,656)
(Gain) loss on license sales and exchanges	(255,479)							(255,479)
Gain (loss) on investments	(18,556)	(830)				(830)	4,839	(14,547)
Interest expense	43,963	(3,265)	74	1,626		(1,565)	56,413	98,811
Income tax expense (benefit)1	113,134					19,084	(6,175)	126,043
Adjusted EBITDA2	$ 615,204	$ 237,568	$ 7,557	$ 4,349	$	$ 249,474	$ 5,233	$ 869,911

Investments in unconsolidated entities	$ 265,585	$ 3,809	$	$	$	$ 3,809	$ 32,378	$ 301,772
Total assets3	$ 6,430,255	$ 1,452,502	$ 278,969	$ 328,397	$	$ 2,059,868	$ 370,905	$ 8,861,028
Capital expenditures	$ 737,501	$ 140,009	$ 8,375	$ 16,474	$	$ 164,858	$ 7,301	$ 909,660

1

Income tax expense (benefit) is not provided at the individual segment level for Wireline, Cable and HMS. TDS calculates income tax expense for "TDS Telecom Total".

2

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

3

ASU 2015-03, regarding simplification of the presentation of debt issuance costs, was adopted as of December 31, 2015 and applied retrospectively. All prior year numbers have been revised to conform to this standard.

105

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 SUPPLEMENTAL CASH FLOW DISCLOSURES

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

Year Ended December 31,	2015	2014	2013
(Dollars in thousands)			
Interest paid	$ 134,916	$ 108,510	$ 96,241
Income taxes paid, net of refunds received	57,442	48,876	175,629

Following are supplemental cash flow disclosures regarding transactions related to stock-based compensation awards. In certain situations, TDS and U.S. Cellular withhold shares that are issuable upon the exercise of stock options or the vesting of restricted shares to cover, and with a value equivalent to, the exercise price and/or the amount of taxes required to be withheld from the stock award holder at the time of the exercise or vesting. TDS and U.S. Cellular then pay the amount of the required tax withholdings to the taxing authorities in cash.

TDS:

Year Ended December 31,	2015	2014	2013
(Dollars in thousands)			
Common Shares withheld	3,163	109,061	265,748
Aggregate value of Common Shares withheld	$ 76	$ 2,751	$ 7,639
Cash receipts upon exercise of stock options	13,405	732	12,092
Cash disbursements for payment of taxes	(76)	(2,751)	(2,438)
Net cash receipts (disbursements) from exercise of stock options and vesting of other stock awards	$ 13,329	$ (2,019)	$ 9,654

U.S. Cellular:

Year Ended December 31,	2015	2014	2013
(Dollars in thousands)			
Common Shares withheld	228,011	163,355	606,582
Aggregate value of Common Shares withheld	$ 8,448	$ 6,868	$ 25,179
Cash receipts upon exercise of stock options	6,881	5,166	10,468
Cash disbursements for payment of taxes	(4,714)	(4,336)	(4,684)
	$ 2,167	$ 830	$ 5,784

Net cash receipts from exercise of stock options and vesting of other stock awards

Under the American Recovery and Reinvestment Act of 2009 ("the Recovery Act"), TDS Telecom was awarded and received $93.9 million in federal grants and provided $32.4 million of its own funds to complete 44 projects to provide broadband access in unserved areas. TDS Telecom received $15.1 million, $15.3 million, and $41.9 million in grants in 2015, 2014 and 2013, respectively. These funds reduced the carrying amount of the assets to which they relate. TDS Telecom had recorded $14.2 million in grants receivable at December 31, 2014 as a component of Accounts receivable, Other, in the Consolidated Balance Sheet.

On September 27, 2012, the FCC conducted a single round, sealed bid, reverse auction to award up to $300 million in one-time Mobility Fund Phase I support to successful bidders that commit to provide 3G, or better, wireless service in areas designated as unserved by the FCC. This auction was designated by the FCC as Auction 901. U.S. Cellular and several of its wholly-owned subsidiaries participated in Auction 901 and were winning bidders in eligible areas within 10 states and will receive up to $40.1 million in one-time support from the Mobility Fund. These funds when received reduce the carrying amount of the assets to which they relate or offset operating expenses. In connection with these winning bids, in June 2013, U.S. Cellular provided $17.4 million letters of credit to the FCC, of which the entire amount remained outstanding as of December 31, 2015. U.S. Cellular has received $13.4 million in support funds, of which the entire balance has been spent as of December 31, 2015. In 2014, $1.9 million was included as a component of Other assets and deferred charges in the Consolidated Balance Sheet and $11.5 million reduced the carrying amount of the assets to which they relate, which are included in Property, plant and equipment in the Consolidated Balance Sheet. U.S.

Table of Contents

Cellular has set up a receivable in the amount of $18.4 million as of December 31, 2015 as part of Phase II of the Mobility Fund.

NOTE 20 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following persons are partners of Sidley Austin LLP, the principal law firm of TDS and its subsidiaries: Walter C.D. Carlson, a trustee and beneficiary of a voting trust that controls TDS, the non-executive Chairman of the Board and member of the Board of Directors of TDS and a director of U.S. Cellular, a subsidiary of TDS; William S. DeCarlo, the General Counsel of TDS and an Assistant Secretary of TDS and certain subsidiaries of TDS; and Stephen P. Fitzell, the General Counsel of U.S. Cellular and TDS Telecommunications Corporation and an Assistant Secretary of certain subsidiaries of TDS. Walter C.D. Carlson does not provide legal services to TDS or its subsidiaries. TDS, U.S. Cellular and their subsidiaries incurred legal costs from Sidley Austin LLP of $11.9 million in 2015, $15.4 million in 2014 and $17.6 million in 2013.

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

NOTE 21 SUBSEQUENT EVENTS

In January 2016, TDS entered into an agreement to purchase a 700 MHz A Block license for $36.0 million. The transaction is expected to close in the third quarter of 2016 pending regulatory approval. In February 2016, TDS entered into multiple agreements with third parties that provide for the transfer of certain AWS and PCS spectrum licenses and approximately $30 million in cash to U.S. Cellular, in exchange for U.S. Cellular transferring certain AWS, PCS and 700 MHz licenses to the third parties. The transactions are subject to regulatory approval and other customary closing conditions, and are expected to close in 2016. Upon closing of the transactions, TDS expects to recognize a gain.

Table of Contents

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

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

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

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

Table of Contents

REPORTS OF MANAGEMENT

Management's Report on Internal Control Over Financial Reporting

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

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

Under the supervision and with the participation of TDS' management, including its principal executive officer and principal financial officer, TDS conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2015, based on the criteria established in the 2013 version of *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has concluded that TDS maintained effective internal control over financial reporting as of December 31, 2015 based on criteria established in the 2013 version of *Internal Control Integrated Framework* issued by the COSO.

The effectiveness of TDS' internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in the firm's report included herein.

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

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows present fairly, in all material respects, the financial position of Telephone and Data Systems, Inc. and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, based on our audit, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We did not audit the financial statements of Los Angeles SMSA Limited Partnership and Subsidiary, a 5.5% owned entity accounted for by the equity method of accounting. The consolidated financial statements of Telephone and Data Systems, Inc. reflect an investment in this partnership of $197,600,000 and $123,600,000 as of December 31, 2015 and 2014, respectively, and equity earnings of $74,000,000, $71,800,000 and $78,400,000 for each of the three years in the period ended December 31, 2015. The financial statements of Los Angeles SMSA Limited Partnership and Subsidiary were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements expressed herein, insofar as it relates to the amounts included for Los Angeles SMSA Limited Partnership and Subsidiary, is based solely on the report of the other auditors. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it classifies debt issuance costs and deferred income taxes in 2015.

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

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

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
February 24, 2016

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. SELECTED CONSOLIDATED FINANCIAL DATA

Year Ended or at December 31,	2015	2014	2013	2012	2011
(Dollars and shares in thousands, except per share amounts)					
Statement of Operations data					
Operating revenues	**$ 5,176,241**	$ 5,009,438	$ 4,901,236	$ 5,345,277	$ 5,180,471
Loss on impairment of assets1		87,802		515	
(Gain) loss on sale of business and other exit costs, net	**(135,887)**	(15,846)	(300,656)	21,061	
(Gain) loss on license sales and exchanges	**(146,884)**	(112,993)	(255,479)		(11,762)
Operating income (loss)	**397,071**	(189,864)	235,359	183,863	362,502
Gain (loss) on investments			14,547	(3,718)	24,103
Net income (loss)	**262,610**	(147,292)	166,821	122,653	250,242
Net income (loss) attributable to noncontrolling interests, net of tax	**43,573**	(10,937)	24,894	40,792	49,676
Net income (loss) attributable to TDS shareholders	**219,037**	(136,355)	141,927	81,861	200,566
Net income (loss) available to common	**$ 218,988**	$ (136,404)	$ 141,878	$ 81,811	$ 200,516
Basic weighted average shares outstanding	**108,645**	108,485	108,490	108,671	108,562
Basic earnings (loss) per share attributable to TDS shareholders	**$ 2.02**	$ (1.26)	$ 1.31	$ 0.75	$ 1.85
Diluted weighted average shares outstanding	**109,910**	108,485	109,132	108,937	109,098
Diluted earnings (loss) per share attributable to TDS shareholders	**$ 1.98**	$ (1.26)	$ 1.29	$ 0.75	$ 1.83
Dividends per Common, Special Common and Series A Common Share2	**$ 0.56**	$ 0.54	$ 0.51	$ 0.49	$ 0.47
Balance Sheet data					
Cash and cash equivalents	**$ 984,643**	$ 471,901	$ 830,014	$ 740,481	$ 563,275
Property, plant and equipment, net	**3,764,477**	3,846,125	3,878,144	3,997,266	3,784,535
Total assets3	**9,422,462**	8,854,422	8,861,028	8,580,235	8,166,005
Net long-term debt, excluding current portion3	**2,439,827**	1,941,069	1,676,955	1,677,906	1,494,857
Total TDS shareholders' equity	**4,125,550**	3,926,278	4,117,837	4,011,536	3,962,161
Capital expenditures	**$ 759,368**	$ 770,577	$ 909,660	$ 1,004,621	$ 987,218

1

Includes Loss on Impairment of intangible assets related to Goodwill in 2014 and 2012.

2

Dividends per share reflects the amount paid per share outstanding at the date the dividend was declared and has not been retroactively adjusted to reflect the impact of the Share Consolidation Amendment approved by

TDS shareholders on January 13, 2012.

3

Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), was adopted early as of December 31, 2015 and applied retrospectively. All prior year numbers have been revised to conform to this standard. See Note 1 Summary of Significant Accounting Policies and Recent Accounting Pronouncements for additional information regarding ASU 2015-03.

111

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. CONSOLIDATED QUARTERLY INFORMATION (UNAUDITED)

	Quarter Ended			
2015	**March 31**	**June 30**	**September 30**	**December 31**
(Amounts in thousands, except per share amounts)				
Operating revenues	$ 1,251,593	$ 1,276,395	$ 1,373,798	$ 1,274,455
(Gain) loss on asset disposals, net	5,377	4,752	4,919	7,128
(Gain) loss on sale of business and other exit costs, net1	(123,783)	(5,589)	(559)	(5,956)
(Gain) loss on license sales and exchanges1	(122,873)	(25)	(23,986)	
Operating income (loss)	282,629	32,121	93,434	(11,113)
Net income (loss)	175,801	26,500	62,395	(2,086)
Net income (loss) attributable to TDS shareholders	$ 145,740	$ 23,046	$ 51,083	$ (832)
Basic weighted average shares outstanding	108,169	108,484	108,848	109,067
Basic earnings (loss) per share attributable to TDS shareholders	$ 1.35	$ 0.21	$ 0.47	$ (0.01)
Diluted weighted average shares outstanding	108,946	109,785	110,214	109,067
Diluted earnings (loss) per share attributable to TDS shareholders	$ 1.33	$ 0.21	$ 0.46	$ (0.01)
Stock price				
TDS Common Shares3				
High	$ 26.64	$ 30.76	$ 30.64	$ 30.59
Low	23.00	24.84	24.51	24.83
Close	24.90	29.40	24.96	25.89
Dividends paid	$ 0.141	$ 0.141	$ 0.141	$ 0.141

	Quarter Ended			
2014	**March 31**	**June 30**	**September 30**	**December 31**
(Amounts in thousands, except per share amounts)				
Operating revenues	$ 1,195,962	$ 1,236,392	$ 1,280,023	$ 1,297,061
(Gain) loss on asset disposals, net	2,430	7,903	9,293	6,905
(Gain) loss on sale of business and other exit costs, net1	(6,900)	2,611	(4,790)	(6,767)
(Gain) loss on license sales and exchanges1	(91,446)			(21,547)
Loss on impairment of assets2			84,000	3,802

Operating income (loss)		20,685		(49,090)		(125,415)		(36,044)
Net income (loss)		20,294		(25,726)		(121,199)		(20,661)
Net income (loss) attributable to TDS shareholders	$	18,254	$	(22,038)	$	(116,030)	$	(16,541)
Basic weighted average shares outstanding		108,988		108,719		108,252		107,995
Basic earnings (loss) per share attributable to TDS shareholders	$	0.17	$	(0.20)	$	(1.07)	$	(0.15)
Diluted weighted average shares outstanding		109,672		108,719		108,252		107,995
Diluted earnings (loss) per share attributable to TDS shareholders	$	0.16	$	(0.20)	$	(1.07)	$	(0.15)
Stock price								
TDS Common Shares3								
High	$	27.90	$	28.41	$	26.93	$	26.49
Low		21.30		24.67		23.08		22.19
Close		26.21		26.11		23.96		25.25
Dividends paid	$	0.134	$	0.134	$	0.134	$	0.134

1

See Note 6 Acquisitions, Divestitures and Exchanges for additional information on (Gain) loss on sale of business and other exit costs, net and (Gain) loss on license sales and exchanges.

2

See Note 7 Intangible Assets for additional information on Loss on impairment of assets.

3

The high, low and closing sales prices as reported by the New York Stock Exchange ("NYSE").

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. SHAREHOLDER INFORMATION

Stock and Dividend Information

TDS' Common Shares are listed on the New York Stock Exchange ("NYSE") under the symbol "TDS." As of January 31, 2016, the last trading day of the month, TDS Common Shares were held by approximately 1,377 record owners, and the Series A Common Shares were held by approximately 76 record owners.

TDS has paid cash dividends on its common stock since 1974, and paid dividends of $0.56 per Common and Series A Common Share during 2015. During 2014, TDS paid dividends of $0.54 per Common and Series A Common Share.

The Common Shares of United States Cellular Corporation, an 84%-owned subsidiary of TDS, are listed on the NYSE under the symbol "USM."

See "Consolidated Quarterly Information (Unaudited)" for information on the high and low trading prices of the TDS Common Shares for 2015 and 2014.

Stock Performance Graph

The following chart provides a comparison of TDS' cumulative total return to shareholders (stock price appreciation plus dividends) during the previous five years to the returns of the Standard & Poor's 500 Composite Stock Price Index and the Dow Jones U.S. Telecommunications Index. As of December 31, 2015, the Dow Jones U.S. Telecommunications Index was composed of the following companies: 8X8 Inc., AT&T Inc., CenturyLink Inc., Frontier Communications Corp., Level 3 Communications Inc., SBA Communications Corp., Sprint Corp., T-Mobile US Inc., Telephone and Data Systems, Inc. (TDS) and Verizon Communications Inc.

* Cumulative total return assumes reinvestment of dividends

	2010	**2011**	**2012**	**2013**	**2014**	**2015**

Telephone and Data Systems Common Shares (NYSE: TDS)	$ 100	$ 72.10	$ 68.43	$ 81.39	$ 81.41	$ 85.22
S&P 500 Index	100	102.11	118.45	156.82	178.28	180.75
Dow Jones U.S. Telecommunications Index	100	103.97	123.50	140.95	144.32	149.39

Assumes $100.00 invested at the close of trading on the last trading day preceding the first day of 2010, in TDS Common Shares, S&P 500 Index and the Dow Jones U.S. Telecommunications Index.

Dividend Reinvestment Plan

TDS' dividend reinvestment plans provide its common and preferred shareholders with a convenient and economical way to participate in the future growth of TDS. Holders of record of ten (10) or more Common Shares or Preferred

Table of Contents

TELEPHONE AND DATA SYSTEMS, INC. SHAREHOLDER INFORMATION

Shares may purchase Common Shares with their reinvested dividends at a five percent discount from market price. Common Shares may also be purchased, at market price, on a monthly basis through optional cash payments by participants in this plan. The initial ten (10) shares cannot be purchased directly from TDS. An authorization card and prospectus will be mailed automatically by the transfer agent to all registered record holders with ten (10) or more shares. Once enrolled in the plan, there are no brokerage commissions or service charges for purchases made under the plan.

Investor relations

TDS' annual report, SEC filings and news releases are available to investors, securities analysts and other members of the investment community. These reports are provided, without charge, upon request to our Corporate Office. Investors may also access these and other reports through the Investor Relations portion of the TDS website (*www.tdsinc.com*).

Questions regarding lost, stolen or destroyed certificates, consolidation of accounts, transferring of shares and name or address changes should be directed to:

Julie Mathews, Director   Investor Relations
Telephone and Data Systems, Inc.
30 North LaSalle Street, Suite 4000
Chicago, IL 60602
312.592.5341
312.630.9299 (fax)
julie.mathews@tdsinc.com

General inquiries by investors, securities analysts and other members of the investment community should be directed to:

Jane W. McCahon, Senior Vice President   Corporate Relations and Corporate Secretary
Telephone and Data Systems, Inc.
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312.592.5379
312.630.9299 (fax)
jane.mccahon@tdsinc.com

Directors and executive officers
See "Election of Directors" and "Executive Officers" sections of the Proxy Statement issued in 2016 for the 2016 Annual Meeting.

Principal counsel
Sidley Austin LLP, Chicago, Illinois

Transfer agent
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211 Quality Circle, Suite 210
College Station, TX 77845
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Independent registered public accounting firm
PricewaterhouseCoopers LLP

Visit TDS' web site at *www.tdsinc.com*

114

Officers Board of Directors LeRoy T. Carlson, Jr. President and Chief Executive Officer Joseph R. Hanley Senior Vice President - Technology, Services and Strategy Jane W. McCahon Senior Vice President - Corporate Relations and Corporate Secretary Peter L. Sereda Senior Vice President - Finance and Treasurer Douglas D. Shuma Senior Vice President - Finance and Chief Accounting Officer Kurt B. Thaus Senior Vice President and Chief Information Officer Scott H. Williamson Senior Vice President - Acquisitions and Corporate Development Douglas W. Chambers Vice President and Controller David D. Gillman Vice President - Tax C. Theodore Herbert Vice President - Human Resources Frieda E. Ireland Vice President - Internal Audit Kenneth M. Kotylo Vice President - Acquisitions and Corporate Development Laurie A. Ruchti Vice President - IT Strategy, Architecture and Quality Alan L. Schultz Vice President - Enterprise Growth and Portfolio Strategy John M. Toomey Vice President and Assistant Treasurer Theodore E. Wiessing Vice President and Chief Security and Privacy Officer William S. DeCarlo General Counsel and Assistant Secretary LeRoy T. Carlson Chairman Emeritus Walter C. D. Carlson Chairman of the Board (non-executive) Partner - Sidley Austin LLP Chairman - Corporate Governance and Nominating Committee LeRoy T. Carlson, Jr. President and Chief Executive Officer Member - Corporate Governance and Nominating Committee Chairman - Technology Advisory Group Letitia G. Carlson, MD Physician and Associate Clinical Professor - George Washington University Medical Center Prudence E. Carlson Private Investor Clarence A. Davis Former Director and Chief Executive Officer - Nestor, Inc. Member - Audit Committee Kenneth R. Meyers President and Chief Executive Officer - U.S. Cellular George W. Off Former President and Chief Executive Officer - Checkpoint Systems, Inc. Chairman - Audit Committee Member - Compensation Committee Member - Technology Advisory Group Christopher D. O´Leary Executive Vice President and Chief Operating Officer - International - General Mills, Inc. Member - Compensation Committee Member - Technology Advisory Group Mitchell H. Saranow Chairman - The Saranow Group, LLC Member - Audit Committee Member - Corporate Governance and Nominating Committee Gary L. Sugarman Managing Member - Richfield Capital Partners Principal - Richfield Associates, Inc. Member - Compensation Committee Herbert S. Wander Of Counsel - Katten Muchin Rosenman LLP Chairman - Compensation Committee Member - Audit Committee David A. Wittwer President and Chief Executive Officer - TDS Telecom Directors Emeritus LeRoy T. Carlson Chairman Emeritus Director Emeritus - U.S. Cellular Donald C. Nebergall Consultant

Explanation of Responses:

Telephone and Data Systems headquarters, Chicago U.S. Cellular operations Wireline operations Cable operations HMS operations About Our Businesses U.S. Cellular Provides outstanding wireless experiences to nearly five million customers, with a high-quality network and competitive devices, plans, and pricing. TDS Telecom Provides high-quality residential broadband, video, and voice services, and commercial VoIP (managedIP) phone and dedicated broadband services. TDS Telecom also manages the operations of: OneNeck IT Solutions Delivers hybrid IT solutions, including cloud and hosting solutions, managed services, ERP application management, professional services, and IT hardware. BendBroadband Offers an extensive range of broadband, fiber connectivity, cable TV, and voice services for residential and commercial customers. Telephone and Data Systems, Inc. 30 N. LaSalle Street, Suite 4000 Chicago, IL 60602 Tel: 312.630.1900 www.tdsinc.com

Explanation of Responses:

Explanation of Responses: