

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
Telephone & Data Systems, Inc.		36-2669023	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
Julie Mathews	312 592-5341	julie.mathews@teldta.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and Zip code of contact	
30 North LaSalle, Suite 4000		Chicago, IL 60602	
8 Date of action		9 Classification and description	
January 24, 2012		Stock - Common Shares	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
879433829		TDS	

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶

Recapitalization of the common stock of Telephone & Data Systems, Inc. ("TDS"), was effective on January 24, 2012. Each Special Common Share outstanding immediately before the Reclassification was reclassified into a Common Share on a one-for-one basis; each Common Share outstanding immediately before the Reclassification was reclassified and subdivided into 1.087 Common Shares; each series A Common Share outstanding immediately before the Reclassification was reclassified and subdivided into 1.087 Series A Common Shares (the "Reclassification"). Cash was paid in lieu of fractional shares. (See attached letter for additional details.)

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶

As a result of the Reclassification, TDS shareholders that held Common Shares immediately before the Reclassification will generally hold more Common Shares immediately after the Reclassification and therefore will have less tax basis per share in each Common Share held after the Reclassification. TDS shareholders should use the worksheet in Part II.B of the attached letter to determine their tax basis in each Common Share held after the Reclassification. (See attached letter for additional details.)

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶

A worksheet describing the tax basis calculation and an example illustrating the calculation is included in Part II.A][II.B][II.C] of the attached letter.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶
368(a)(1)(E), 354, 358.

18 Can any resulting loss be recognized? ▶

TDS shareholders generally should not recognize any gain or loss for U.S. federal income tax purposes by reason of the Reclassification, except with respect to cash received in lieu of a fractional Common Share.

The receipt of a cash payment in lieu of a fractional Common Share will be treated as received in redemption of such fractional share, and assuming that such deemed redemption is "substantially disproportionate" or "not essentially equivalent to a dividend" with respect to a shareholder (as such terms are used in Section 302 of the Internal Revenue Code of 1986, as amended), will result in capital gain or loss measured by the difference between the amount of such cash payment and such shareholder's basis in the fractional share treated as surrendered. Any such capital gain or loss will be long-term capital gain or loss if such shareholder's holding period in the fractional Common Share is more than one year at the time of the Reclassification. TDS shareholders should consult Part III of the attached letter for further information about this issue.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶

The reportable tax year is 2012. (See attached letter for additional details.)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶ David D. Gillman Date ▶ 1/23/2012
Print your name ▶ DAVID D. GILLMAN Title ▶ ASSISTANT CONTROLLER - TAX

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.



January 25, 2012

Dear shareholder:

On January 13, 2012, the shareholders of Telephone and Data Systems, Inc. (“TDS”) voted to approve amendments to the TDS Restated Certificate of Incorporation to, among other things, reclassify each Special Common Share as one Common Share, reclassify (and subdivide) each Common Share as 1.087 Common Shares, and reclassify (and subdivide) each Series A Common Share as 1.087 Series A Common Shares. On January 13, 2012, the TDS Board of Directors approved the filing of the amended TDS Restated Certificate of Incorporation with the Secretary of State of the State of Delaware. On January 24, 2012, the amended TDS Restated Certificate of Incorporation was filed and the reclassification (the “Reclassification”) became effective.

I. Consult your Tax Advisor

The discussion below is a general summary of certain United States federal income tax considerations currently applicable to shareholders whose shares were reclassified pursuant to the Reclassification. The discussion below should be read in combination with, and is qualified by, the Proxy Statement dated August 31, 2011 (the “Proxy”) and the Supplement dated November 29, 2011 to the Proxy (the “Proxy Supplement”). This discussion is provided only to assist you in evaluating certain expected tax consequences relating to the Reclassification. A complete discussion of all tax aspects of the Reclassification is beyond the scope of this letter. No representations are made regarding the particular tax consequences related to the Reclassification. Moreover, this letter is not intended to provide tax or other legal advice to any shareholder.

* * * *

The information in this letter is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Internal Revenue Code, or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein. Each shareholder should seek advice based on its particular circumstances from an independent tax advisor.

* * * *

The discussion below assumes that the Reclassification will be treated as a “recapitalization” under the Internal Revenue Code of 1986, as amended (the “Code”). Please refer to the Proxy Supplement for further discussion of this issue.

II. Tax Basis and Holding Period Information

Under United States federal income tax laws, you will be required to determine your tax basis in each of the Common Shares or Series A Common Shares you hold immediately after the Reclassification. The method for making this determination differs depending on the type(s) of shares (Special Common Shares, Common Shares or Series A Common Shares) you held immediately before the Reclassification.

A. Shareholders that Held Special Common Shares Before the Reclassification

If you held Special Common Shares immediately before the Reclassification, your tax basis in a Common Share into which a Special Common Share was reclassified will be the same as your tax basis in the Special Common Share held before the Reclassification. In addition, your holding period for a Common Share into which a Special Common Share was reclassified will include your holding period for the Special Common Share held before the Reclassification. If you acquired your Special Common Shares on different dates or at different prices (that is, if you acquired shares in separate “lots”), a separate tax basis and holding period calculation must be made for each of these separate lots of shares.

By way of example, assume that immediately before the Reclassification you owned 75 Special Common Shares for which you had a tax basis of \$30 per share and a holding period of 24 months. Immediately after the Reclassification, you would have the same tax basis (\$30 per share) and the same holding period (24 months) in the 75 Common Shares into which the 75 Special Common Shares were reclassified.

B. Shareholders that Held Common Shares Immediately Before the Reclassification

If you held Common Shares immediately before the Reclassification, your aggregate tax basis in the increased number of Common Shares you hold after the Reclassification as a result of the reclassification (and subdivision) of the Common Shares held will equal the aggregate tax basis in the Common Shares you held immediately before the Reclassification. Because you hold a greater number of Common Shares after the Reclassification, you will be required to allocate the aggregate tax basis in the Common Shares you held before the Reclassification among the Common Shares you hold after the Reclassification (that is, you will have slightly less basis per share in each Common Share you hold after the Reclassification than you did beforehand). For this purpose, you must also allocate tax basis to any fractional shares that you would have been entitled to receive, regardless of the fact that you actually received cash in lieu of those fractional shares. Moreover, if you acquired the Common Shares that you held immediately before the Reclassification on different dates or at different prices (that is, if you acquired shares in separate “lots”), a separate tax basis calculation must be made for each of these separate lots of shares. In general, a shareholder should use the following worksheet to make this calculation with respect to each lot of shares:

		Hypothetical Example
1.	Number of Common Shares held before the Reclassification.	75
2.	Adjusted tax basis of each Common Share held before the Reclassification.	\$ 30
3.	Line 1 multiplied by Line 2. This is the aggregate tax basis of the Common Shares held before the reclassification.	\$ 2,250
4.	Reclassification ratio.	1.087
5.	Line 1 multiplied by Line 4. This is the number of Common Shares (including fractional shares) held after the Reclassification.	81.525
6.	Line 3 divided by Line 5. This is the adjusted tax basis of each Common Share held after the Reclassification.	\$ 27.60

By way of example, assume that immediately before the Reclassification you owned 75 Common Shares for which you had a tax basis of \$30 per share and a holding period of 24 months. The right-hand column of the above worksheet shows the calculation that you would make to determine your tax basis in each Common Share held after the Reclassification. As the worksheet shows, after the Reclassification, you would have a tax basis of \$27.60 in each of the 81 Common Shares you hold after the Reclassification. You would allocate a proportionate amount of tax basis to the 0.525 fractional Common Share, even though you would have received cash in lieu of the 0.525 fractional Common Share. For the treatment of cash received in lieu of fractional shares, see Part III, below.

In general, your holding period for the Common Shares held immediately after the Reclassification includes your holding period for the Common Shares held immediately before the Reclassification. If you acquired your Common Shares in lots, you must make a separate holding period determination for each of these separate lots of shares.

Therefore, in the above example, because the 75 Common Shares held immediately before the Reclassification all had a holding period of 24 months, the 81 Common Shares held immediately after the Reclassification would also have a holding period of 24 months.

The foregoing ignores Common Shares received as a result of the reclassification of Special Common Shares as Common Shares. For further information about any Common Shares received as a result of the reclassification of Special Common Shares you held immediately before the Reclassification (if any), see Part II.A, above.

C. Shareholders that Held Series A Common Shares Immediately Before the Reclassification

If you held Series A Common Shares immediately before the Reclassification, your aggregate tax basis in the increased number of Series A Common Shares you hold after the Reclassification as a result of the reclassification (and subdivision) of the Series A Common Shares held will equal the aggregate tax basis in the Series A Common Shares you held immediately before the Reclassification. Because you hold a greater number of Series A Common Shares after the Reclassification, you will be required to allocate the aggregate tax basis in the Series A Common Shares you held before the Reclassification among the Series A Common Shares you hold after the Reclassification (that is, you will have slightly less basis per share in each Series A Common Share you hold after the Reclassification than you did beforehand). For this purpose, you must also allocate tax basis to any fractional shares that you would have been entitled to receive, regardless of the fact that you actually received cash in lieu of those fractional shares. Moreover, if you acquired the Series A Common Shares that you held immediately before the Reclassification on different dates or at different prices (that is, if you acquired shares in separate “lots”), a separate tax basis calculation must be made for each of these separate lots of shares. In general, a shareholder should use the following worksheet to make this calculation with respect to each lot of shares:

		Hypothetical Example
1.	Number of Series A Common Shares held before the Reclassification.	75
2.	Adjusted tax basis of each Series A Common Share held before the Reclassification. \$	\$30
3.	Line 1 multiplied by Line 2. This is the aggregate tax basis of the Series A Common Shares held before the reclassification. \$	\$2,250
4.	Reclassification ratio. 1.087	1.087
5.	Line 1 multiplied by Line 4. This is the number of Series A Common Shares (including fractional shares) held after the Reclassification.	81.525
6.	Line 3 divided by Line 5. This is the adjusted tax basis of each Series A Common Share held after the Reclassification. \$	\$27.60

By way of example, assume that immediately before the Reclassification you owned 75 Series A Common Shares for which you had a tax basis of \$30 per share and a holding period of 24 months. The right-hand column of the above worksheet shows the calculation that you would make to determine your tax basis in each Series A Common Share held after the Reclassification. As the worksheet shows, after the Reclassification, you would have a tax basis of \$27.60 in each of the 81 Series A Common Shares you hold after the Reclassification. You would allocate a proportionate amount of tax

basis to the 0.525 fractional Series A Common Share, even though you would have received cash in lieu of the 0.525 fractional Series A Common Share. For the treatment of cash received in lieu of fractional shares, see Part III, below.

In general, your holding period for the Series A Common Shares held immediately after the Reclassification includes your holding period for the Series A Common Shares held immediately before the Reclassification. If you acquired your Series A Common Shares in lots, you must make a separate holding period determination for each of these separate lots of shares.

Therefore, in the above example, because the 75 Series A Common Shares held immediately before the Reclassification all had a holding period of 24 months, the 81 Series A Common Shares held immediately after the Reclassification would also have a holding period of 24 months.

III. Receipt of Cash in Lieu of Fractional Shares

As described in the Proxy Supplement, if you held Common Shares or Series A Common Shares immediately before the Reclassification, you were not entitled to receive share certificates representing any fractional shares that you were entitled to receive as a result of the Reclassification. Rather, you received a cash payment in lieu of these fractional shares. For United States federal income tax purposes, the receipt of a cash payment in lieu of fractional Common Shares or Series A Common Shares will be treated as received in redemption of these fractional Common Shares or Series A Common Shares.

Assuming that this deemed redemption is “substantially disproportionate” or “not essentially equivalent to a dividend” with respect to you (as such terms are used in Section 302 of the Code), the deemed redemption will result in capital gain or loss measured by the difference between the amount of the cash payment and your basis in the fractional share treated as surrendered (calculated as described above). Any such capital gain or loss will be long-term capital gain or loss if your holding period in the Common Shares or Series A Common Shares is more than one year at the time of the Reclassification.

By way of example, assuming the same hypothetical facts as set forth in the examples in Parts II.B and II.C, above, you would allocate \$14.49 of tax basis ($\27.60×0.525) to the 0.525 fractional Common Share or Series A Common Share and, assuming that the deemed redemption of your 0.525 fractional Common Share or Series A Common Share is “substantially disproportionate” or “not essentially equivalent to a dividend” with respect to you, you would recognize capital gain if the cash payment in lieu of that fractional Common Share or Series A Common Share exceeds \$14.49 or capital loss if less than \$14.49.

The Internal Revenue Service has held that a redemption of shares of a publicly held corporation from a shareholder whose relative stock interest in such corporation is minimal and who exercises no control over the affairs of the corporation was “not essentially equivalent to a dividend,” provided that the shareholder’s actual and constructive ownership of the corporation’s stock (taking into account the constructive ownership rules of Section 318(a) of the Code) was reduced as a result of the redemption. However, you should consult your own tax advisor to determine how to properly treat the receipt cash in lieu of fractional Common Shares or Series A Common Shares.

TELEPHONE AND DATA SYSTEMS, INC.