

TELEPHONE & DATA SYSTEMS INC /DE/
Form 11-K
June 21, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR

- TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-14157

- A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Telephone and Data Systems, Inc.
Tax-Deferred Savings Plan
30 North LaSalle Street
40th Floor
Chicago, IL 60602

- B. Name of issuers of the securities held pursuant to the plan and the addresses of the principal executive office:

**Telephone and Data Systems, Inc.
30 North LaSalle Street
40th Floor
Chicago, IL 60602**

United States Cellular Corporation
8410 West Bryn Mawr Ave.
Suite 700
Chicago, IL 60631

Required Information

(a) Financial Statements

1. Independent Auditors Reports.
2. Audited Statements of Net Assets Available for Benefits as of December 31, 2001 and December 31, 2000.
3. Audited Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2001.
4. Notes to Financial Statements.
5. Schedule of Assets (Held at End of Year).
6. Schedule of Reportable Transactions.

(b) Exhibits

<u>No.</u>	<u>Description</u>
<u>23.1</u>	<u>Consent of Independent Public Accountants</u>
<u>23.2</u>	<u>Consent of Independent Public Accountants</u>

INDEPENDENT AUDITORS REPORT

To the Investment Management Committee
Telephone and Data Systems, Inc. Tax-Deferred Savings Plan
Middleton, Wisconsin

We have audited the accompanying statement of net assets available for benefits of Telephone and Data Systems, Inc. Tax-Deferred Savings Plan as of December 31, 2001 and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about

whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the plan as of December 31, 2001 and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information of Telephone and Data Systems, Inc. Tax-Deferred Savings Plan, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the plan's management. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Virchow, Krause & Company, LLP

Madison, Wisconsin
April 26, 2002

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INDEPENDENT AUDITOR'S REPORT

To the Investment Management Committee
Telephone and Data Systems, Inc.
Tax-Deferred Savings Plan
Middleton, Wisconsin

We have audited the accompanying statement of net assets available for benefits of Telephone and Data Systems, Inc. Tax-Deferred Savings Plan as of December 31, 2000. This financial statement is the responsibility of the Plan's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Madison, Wisconsin
 May 25, 2001

**TELEPHONE AND DATA SYSTEMS, INC.
 TAX DEFERRED SAVINGS PLAN**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 December 31, 2001 and 2000

ASSETS		
	2001	2000
	-----	-----
Investments, at fair value	\$ 120,001,618	\$ 110,357,893
	-----	-----
Receivables		
Company contribution	--	4,152,574
Accrued income	3,715	7,551
Due from broker for securities sold	11,390,026	18,072
	-----	-----
Total Receivables	11,393,741	4,178,197
	-----	-----
TOTAL ASSETS	131,395,359	114,536,090
	-----	-----
LIABILITIES		
Due to broker for securities purchased	11,770,407	434,914
	-----	-----
TOTAL LIABILITIES	11,770,407	434,914
	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$ 119,624,952	\$ 114,101,176
	=====	=====

See accompanying notes to financial statements.

**TELEPHONE AND DATA SYSTEMS, INC.
 TAX-DEFERRED SAVINGS PLAN**

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended December 31, 2001

ADDITIONS

Additions to net assets attributed to	
Investment income	
Net depreciation in fair value of investments	\$ (14,177,770)
Interest and dividends	2,142,312
Contributions	
Participants'	17,284,352
Company	7,664,894
Participant rollovers	1,002,662

Total Additions	13,916,450

DEDUCTIONS

Deductions from net assets attributed to	
Benefits paid to participants	8,393,371
Investment expenses	30,435

Total Deductions	8,423,806

TRANSFER OF ASSETS FROM OTHER PLANS

31,132

Net Increase

5,523,776

NET ASSETS AVAILABLE FOR BENEFITS -

Beginning of Year

114,101,176

NET ASSETS AVAILABLE FOR BENEFITS -

End of year

\$ 119,624,952

=====

See accompanying notes to financial statements.

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**TELEPHONE AND DATA SYSTEMS, INC.
TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

NOTE 1 - Description of the Plan

The following description of the Telephone and Data Systems, Inc. Tax-Deferred Savings Plan (the "plan") provides only general information. Participants should

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refer to the Telephone and Data Systems, Inc. Tax-Deferred Savings Plan summary plan description for a more complete description of the plan's provisions.

General

The plan is a contributory tax-exempt profit-sharing plan established by Telephone and Data Systems, Inc. (TDS, the "company") and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The company is the administrator and sponsor of the plan and has approved Bank of New York Midwest Trust Company as trustee of the plan. The Bank of New York is the asset custodian of the plan, and they provide record keeping and reporting services to the plan in conjunction with Hewitt Associates, the plan's third-party administrator. The plan qualifies under Section 401 and 501 of the Internal Revenue Code. All employees of Telephone and Data Systems, Inc. and its subsidiaries that are age 21 or older are eligible to participate. Prior to January 1, 2001, employees needed to complete three months of service to participate in the plan. The plan was amended to remove the three months of service requirement for 2001, and now allows participants to enter the plan upon the latter of their first day of employment or twenty-first birthday. Participation is completely voluntary.

The plan's assets are administered by an investment management committee appointed by TDS. The investment management committee is authorized to invest plan assets as directed by the participants, except in the case of the employer match which is invested in the common stock of TDS or the common stock of its subsidiary, United States Cellular Corporation (USCC). All administrative, recordkeeping and auditing fees are borne by TDS.

Contributions

For the year ending after December 31, 2001, participants may contribute up to 25% of pretax annual compensation (salary reduction contributions), as defined in the plan. In previous years, participants' contributions were limited to 15% of pretax annual compensation. Participants may also contribute amounts representing distributions from other qualified plans (rollover contributions).

As of January 1, 2001 the company's matching contribution is 100% of the first 2% of a participant's salary reduction contributions and 40% of the next 4% of salary reduction contributions. In previous years, the company matching contribution for employees of USCC, Aerial Communications, Inc. and Suttle Press was 100% of the first 2% of a participants reduction contributions and 25% of the next 4% of salary reduction contributions. All other participants received 30% of the first 6% of their salary reduction contributions.

Company contributions of USCC and Aerial Communications, Inc. are made in USCC and Aerial common stock, respectively. All other company contributions are made in TDS common stock. See notes 7 and 10.

Contributions are subject to certain limitations.

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**TELEPHONE AND DATA SYSTEMS, INC.
TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

NOTE 1 - Description of the Plan (cont.)

Participants' Accounts and Investment Options

Each participant's account is credited with the participant's salary reduction contributions and allocations of the company's contributions and plan earnings. Allocations are based on participant earnings or account balances, as defined in the plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Participants may invest their personal contributions and any rollover account balances into a variety of investment options as more fully described in the plan's literature. Participants may change their investment options via telephone at any time. During the year ended December 31, 2001, the plan replaced the Loomis Salyes Bond Fund and Credit Suisse Institutional Fund International Equity investment options with the Pimco Total Return Fund and Putnam International Growth Fund, respectively.

Vesting

Participants are immediately vested in their salary reduction and rollover contributions plus actual earnings thereon. Vesting in company matching contributions plus actual earnings thereon is based on years of continuous service and is subject to a three-year graded vesting schedule as follows:

Vesting Years of Service	Percentage Vested
1	33%
2	67%
3	100%

A participant also becomes 100% vested in company matching contributions plus actual earnings thereon upon retirement, death or disability.

Forfeited Accounts

During the year ended December 31, 2001, forfeited nonvested accounts were used to reduce employer contributions by \$118,853.

Payment of Benefits

Benefits may be paid to the participant or beneficiary upon death, disability, retirement or termination of employment, as defined in the plan agreement. The plan provides for normal retirement at age 65 and early retirement on or after attaining age 55. The total vested portion of a participant's account balance is distributed in the form of a lump-sum payment, installments, or an annuity. Participants experiencing financial hardship may withdraw a portion of this account balance as defined in the plan.

Termination of Plan

Although it has not expressed any intent to do so, the company has the right under the plan to terminate the plan at any time subject to the provisions of ERISA. In the event of plan termination, participants become 100% vested in their accounts.

TAX-DEFERRED SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

NOTE 1 - Description of the Plan (cont.)

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance (excluding employer matching contributions). These loans are secured by the balance in the participant's account. The loans bear interest at the prime rate plus 1 % as published in the Wall Street Journal on the first business day of the quarter in which the loan is approved. Principal and interest is paid ratably through monthly payroll deductions. The repayment period on the loan can range from one to five years. Loans will be considered in default if no loan payment is received during any 45-day period.

Administrative Expenses

The company pays a majority of the plan's administrative expenses.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of the financial statements in conformity with generally accepted accounting principals requires the plan's management to use estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from these estimates.

Investment Valuation and Income Recognition

The plan's investments are valued at fair value. Shares of registered investment companies, TDS Common Stock, VoiceStream Wireless Corporation Common Stock and USCC Common Stock are valued at quoted market price. Shares held in bank common trust funds and money market funds are reported at fair value based on the unit prices quoted by the fund, representing the fair value of the underlying investments. Participant loans are valued at cost, which approximates fair value.

Net depreciation in fair value of investments included in the accompanying statement of changes in net assets available for benefits includes realized gains or losses from the sale of investments and unrealized appreciation or depreciation in fair value of investments. Net unrealized appreciation or depreciation in the fair value of investments represents the net change in the fair value of the investments held during the period. The net realized gains or losses on the sale of investments represents the difference between the sale proceeds and the fair value of the investment as of the beginning of the period or the cost of the investment if purchased during the year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Payment of Benefits

Benefits are recorded when paid.

**TELEPHONE AND DATA SYSTEMS, INC.
TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

NOTE 3 - Investments

The following presents investments as of December 31, 2001 and 2000 and investment income for the year ended December 31, 2001.

	2001	2000
	-----	-----
Investments		
Bank common trust funds		
LaSalle National Pooled Income	\$ 17,412,241*	\$ 10,631,707*
Bank of New York	2,176,968	1,695,580
Common stock		
Telephone and Data Systems, Inc.	28,773,671*	23,634,540*
United States Cellular Corporation	17,226,358*	17,191,374*
VoiceStream Wireless Corporation	--	5,855,570*
Mutual funds		
Vanguard Institutional Index Fund	27,675,531*	29,410,632*
Pimco Total Return Fund	5,543,449	--
Loomis Salyes Bond Fund	--	4,483,742
Putnam International Growth Fund	4,922,648	--
Credit Suisse Institutional		
Fund International Equity	--	5,666,193
Selected American Shares	4,759,611	2,607,181
Mercury Select Growth Fund	2,031,172	970,487
Turner Midcap Growth Fund	6,584,348*	5,611,563
Participant loans	2,895,621	2,599,324
	-----	-----
Total Investments	\$ 120,001,618	\$ 110,357,893
	=====	=====

Investments that represent 5% or more of the plan's net assets are separately identified with an "*".

During the year ended December 31, 2001, the plan's investments (including gains and losses on investments bought, sold, and held during the year) depreciated in value as follows:

Bank Common Trust Funds	\$ --
Common stock	(6,230,818)
Mutual funds	(7,946,952)

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Net Change in Fair Value \$ (14,177,770)
 =====

The information presented above includes non-participant directed funds as discussed in Note 4.

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TELEPHONE AND DATA SYSTEMS, INC.
TAX-DEFERRED SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
 December 31, 2001 and 2000

NOTE 4 - Nonparticipant-Directed Investments

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	2001	2000
	-----	-----
Investments		
Common stock		
Telephone and Data Systems, Inc.	\$ 12,651,276	\$ 8,160,074
United States Cellular Corporation	9,234,884	6,732,654
VoiceStream Wireless Corporation	--	52,100
Bank common trust funds		
Bank of New York	859,040	566,548
Total Investments	----- 22,745,200	----- 15,511,376
Receivables		
Company contribution	--	4,152,574
Other	48,622	2,435
Total Assets	----- 22,793,822	----- 19,666,385
Liabilities	237,479	123,539
	-----	-----
Total Nonparticipant-Directed Net Assets	\$ 22,556,343	\$ 19,542,846
	=====	=====

During the year ended December 31, 2001, the nonparticipant directed investments changed in value as follows:

Net depreciation in fair value of investments	\$ (3,201,655)
Interest and dividends	70,947
Contributions	7,662,950
Benefits paid to participants	(1,518,745)

Net Increase	\$ 3,013,497
	=====

NOTE 5 - Amount Owed to Participants Withdrawing From the Plan

Amounts owed to participants who have withdrawn from the plan total \$368,489 as of December 31, 2001, and are included in net assets available for benefits.

NOTE 6 - Parties In Interest

Certain plan investments are shares of a common trust fund sponsored by the Bank of New York. Bank of New York Midwest Trust Company, a subsidiary of the Bank of New York, is the trustee of the plan and, therefore, these transactions qualify as party-in-interest transactions.

All company contributions for 2001 have been made in common stock of TDS and USCC.

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**TELEPHONE AND DATA SYSTEMS, INC.
TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

NOTE 7 - Sale of Subsidiary and Transfer of Participant Accounts

Effective January 1, 2000, TDS sold the stock of a subsidiary, Aerial Communications, Inc. to VoiceStream Wireless Corporation (VWC). Plan assets related to the accounts of Aerial participants totaling approximately \$18,800,000 were transferred to a new plan on March 20, 2000.

During June of 2001, the plan eliminated the Aerial Communications, Inc. investment option previously available to all other participants. All Aerial stock held by participants had converted to VWC stock upon the sale of the TDS subsidiary during 2000 noted above. These participants were given the option to transfer their VWC stock funds to another fund of their choice by the end of June, 2001. If the participant did not elect a fund for transfer, their fund balance was transferred to the LaSalle National Pooled Income Fund. Approximately \$5,500,000 was transferred out of the VWC fund during 2001.

NOTE 8 - Tax Status

The plan obtained its latest determination letter on January 27, 1999, in which the Internal Revenue Service stated that the plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). The plan has been amended since receiving the determination letter. The plan administrator and the plan's tax counsel believe that the plan, as amended, is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, they believe that the plan was qualified and the related trust was tax-exempt at the financial statement date.

NOTE 9 - Reconciliation of Financial Statements to Schedule H Form 5500

A reconciliation between the financial statements and Form 5500 as of and for the year ended December 31, 2001 is as follows:

Total net assets per Form 5500, Schedule H	\$ 119,256,463
Benefits payable accrued for the 5500	368,489

Net Assets Available for Benefits Per Financial Statements	\$ 119,624,952
	=====
Increase in net assets per Form 5500, Schedule H	\$ 5,155,287
Benefits payable accrued for the 5500	368,489

Increase in Net Assets Available for Benefits Per Financial Statements	\$ 5,523,776
	=====

NOTE 10 - Subsequent Events

During April of 2002, the plan was amended so that the company's matching contributions are no longer made in the form of TDS or USCC stock. Company contributions are now allocated to an employees' account based on the employees' elected allocation percentages.

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SUPPLEMENTAL INFORMATION

**TELEPHONE AND DATA SYSTEMS, INC.
TAX-DEFERRED SAVINGS PLAN**

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SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR

Plan 003
 EIN 36-2669023
 December 31, 2001

(a)	(b)	(c)	(d)	(e)
Identity of Lessor, or Similar Party	Identity of Issue, Borrower, or Par or Maturity Value	Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Market Value
Common Stocks				
*	Telephone and Data Systems, Inc.	320,598 shares	\$ 25,342,696	\$ 28,773,670
*	United States Cellular Corporation	380,693 shares	20,784,461	17,226,358
Registered Investment Companies				
	Vanguard Institutional Index Fund	263,823 shares	**	27,675,532
	Selected American Shares	153,585 shares	**	4,759,611
	Turner Midcap Growth Fund	300,518 shares	**	6,584,348
	Mercury Select Growth Fund	197,970 shares	**	2,031,172
	Pimco Total Return Fund	529,966 shares	**	5,543,449
	Putnam International Growth Fund	248,368 shares	**	4,922,648
Bank Common Trust Funds				
*	Bank of New York	2,176,968 shares	2,176,968	2,176,968
	LaSalle National Pooled Income	17,412,241 shares	**	17,412,241
Participant Loans				
	Loans to Participants	Loan term 1 - 5 years; Interest rates prime + 1%	--	2,895,621
				\$120,001,618
				=====
*	Represents a party in interest			
**	Cost omitted for participant directed investments			

**TELEPHONE AND DATA SYSTEMS, INC.
 TAX-DEFERRED SAVINGS PLAN**

SCHEDULE OF REPORTABLE TRANSACTIONS
 Plan 003
 EIN 36-2669023

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Year ended December 31, 2001

(a) Identity of Party Involved	(c) Purchase Price	(d) Selling Price	(g) Cost	(i) Net Gain or (Loss)
Series of Transactions:				
* Telephone Data Systems, Inc.	\$9,805,843	\$5,901,630	\$4,417,869	\$1,483,761
* United States Cellular Corporation	7,573,795	4,494,975	4,386,240	108,735
LaSalle National Pooled Income	17,402,001	10,621,467	10,621,467	--
Vanguard Institutional Index Fund	5,971,855	3,896,207	4,273,825	(377,618)
Loomis Sayles Bond Fund	2,594,205	6,764,980	7,473,915	(708,935)
Credit Suisse Institutional Fund International Equity	1,119,162	5,671,138	9,215,827	(3,544,689)
Turner Midcap Growth Fund	7,225,346	4,327,859	6,238,400	(1,910,541)
* Bank of New York	39,119,845	38,638,45	38,638,455	--
Single Transactions:				
Loomis Sayles Bond Fund	--	5,539,987	6,132,595	(592,608)
Pimco Total Return Fund	5,543,449	--	--	--
* Represents a party in interest				

Signatures

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, Telephone and Data Systems, Inc., the Plan Administrator has duly caused this Annual Report on Form 11-K to be signed on its behalf by the undersigned hereunto duly authorized.

**TELEPHONE AND DATA SYSTEMS, INC.
TAX-DEFERRED SAVINGS PLAN**

By /s/ C. Theodore Herbert

C. Theodore Herbert, Vice President - Human
Resources

Dated: June 21, 2002
