TELEPHONE & DATA SYSTEMS INC /DE/
Form 11-K
May 21, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark one)

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

For the fiscal year ended December 31, 2013

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 (Telephone and Data Systems, Inc.)**

1-9712 (United States Cellular Corporation)

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
Suite 4000
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
Suite 4000
Chicago, IL 60602

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

Telephone and Data Systems, Inc.

Tax–Deferred Savings Plan

Financial Report

December 31, 2013

Telephone and Data Systems, Inc.									
Tax-Deferred Savings Plan									
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	No.				**Description**				
	23.1				Consent of Independent Registered Public Accounting Firm				

McGladrey LLP

Report of Independent Registered Public Accounting Firm

To the Investment Management Committee

Telephone and Data Systems, Inc. Tax-Deferred Savings Plan

Chicago, Illinois

We have audited the accompanying statements of net assets available for benefits of Telephone and Data Systems, Inc. Tax-Deferred Savings Plan (the "Plan") as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. 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 audits.

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 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 audits provide 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, 2013 and 2012, and the changes in net assets available for benefits for the year ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 of the financial statements, the plan sponsor approved the merger of the Vital Support Systems 401(k) Retirement Plan into the Telephone and Data Systems, Inc. Tax-Deferred Savings Plan effective December 31, 2013.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Schedule H, Line 4i – Schedule of Assets (Held at End of Year) 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 the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits 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.

By: /s/ McGladrey LLP

McGladrey LLP

Peoria, Illinois

May 21, 2014

Member of RSM International network of independent accounting, tax and consulting firms.

Telephone and Data Systems, Inc.

Tax-Deferred Savings Plan

Statements of Net Assets Available for Benefits

December 31, 2013 and 2012

	2013	2012
Assets		
Investments, at fair value	$ 708,510,522	$ 594,895,169
Receivables:		
Accrued income	251,716	287,113
Contributions in transit and other	61	250,179
Notes receivable from participants	12,452,550	12,704,556
Due from merged plan	10,307,491	—
Total receivables	23,011,818	13,241,848
Total assets	731,522,340	608,137,017
Liabilities		
Due to broker for securities purchased	—	357,621
Distributions in transit and other	89,866	115,273
Total liabilities	89,866	472,894
Net Assets Available for Benefits at Fair Value	731,432,474	607,664,123
Adjustment from Fair Value to Contract Value for Fully Benefit-Responsive Investment Contracts	(2,399,854)	(4,612,346)
Net Assets Available for Benefits	$ 729,032,620	$ 603,051,777

See Notes to Financial Statements.

Telephone and Data Systems, Inc.

Tax-Deferred Savings Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2013

Additions to Plan Assets Attributed to					
Investment income:					
	Interest and dividends			$	15,665,695
	Net appreciation in fair value of investments				106,760,903
Interest income on notes receivable from participants					517,902
Contributions:					
	Participants'				47,128,804
	Employers'				22,630,641
	Participant rollover				1,922,625
		Total additions			194,626,570
Deductions From Plan Assets Attributed to					
	Benefits paid to participants				78,953,218
		Total deductions			78,953,218
		Net increase			115,673,352
	Pending transfer from merged plan				10,307,491
Net assets available for benefits:					
		Beginning of year			603,051,777
		End of year		$	729,032,620

See Notes to Financial Statements.

Telephone and Data Systems, Inc.

Tax-Deferred Savings Plan

December 31, 2013 and 2012

Notes to Financial Statements

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 refer to the Telephone and Data Systems, Inc. Tax-Deferred Savings Plan official plan document or 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” or 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 appointed The Bank of New York Mellon as directed trustee of the Plan. The Bank of New York Mellon is also the asset custodian of the Plan, and they provide record keeping and reporting services to the Plan in conjunction with Aon Hewitt, the Plan's third party administrator. The Plan has received a favorable determination letter from the Internal Revenue Service indicating that it qualifies under Section 401(a) of the Internal Revenue Code. All employees of TDS and its subsidiaries which have adopted the Plan (the Company and such subsidiaries being referred to as “employers”) whom are age twenty-one or older are eligible to participate. The Plan allows participants to enter the Plan upon the latter of 30 days of continuous service with the employers or their twenty-first birthday. Participation in the Plan is voluntary, however, any eligible employee who does not enroll on his or her own, or elect to opt out of automatic enrollment, will be automatically enrolled in the Plan starting on their eligibility date (or as soon as practicable thereafter).

The Plan's assets are overseen by an Investment Management Committee. The Investment Management Committee is authorized to select investment options and to invest Plan assets as directed by the participants (or in the absence of such a direction, as determined by the Investment Management Committee).

Contributions: Participants may contribute to the Plan on a pre-tax basis (before-tax contributions) or on a designated Roth basis (after-tax contributions). The combined pre-tax and designated Roth contributions may not exceed 60% of the Participant’s compensation, as defined in the Plan and in accordance with Internal Revenue Service limits. Participants may also contribute amounts representing eligible distributions from other qualified plans or individual retirement accounts (rollover contributions).

Any eligible employee with 30 days continuous service is automatically enrolled in the Plan on a pre-tax basis at a 3% deferral rate with the rate increasing by 1% annually until it reaches 10%, unless the employee elects otherwise. The

Vanguard Target Date Retirement Funds are used as the Qualified Default Investment Alternative (QDIA) for automatic enrollment.

The employer matching contribution is 100% on the first 3% of a participant’s before-tax and designated Roth contributions and 40% on the next 2% of before-tax and designated Roth contributions.

Contributions are allocated to an employee’s account based on the employee’s investment elections.

Participants' Accounts and Investment Options: Each participant's account is credited with the participant's before-tax and designated Roth contributions, rollover contributions, employer matching contributions and investment income or loss. 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 account in a variety of investment options as more fully described in the Plan's literature. Participants may change their investment elections via telephone or internet.

Vesting: Participants are always 100% vested in their before-tax, designated Roth and rollover contributions plus actual earnings thereon. Vesting in employer matching contributions plus actual earnings thereon is based on years of vesting service. Employer matching contributions vest 34% after the participant completes one year of vesting service; and 100% after the participant completes two years of vesting service.

A participant also becomes 100% vested in employer matching contributions plus actual earnings thereon upon termination of employment after attaining age 65 or due to death or disability.

Forfeited Accounts: For the years ended December 31, 2013 and 2012, forfeited non-vested accounts were used to reduce employer contributions by $445,875 and $388,605, respectively. All such forfeitures were used at December 31, 2013 and 2012, respectively.

Payment of Benefits: Vested benefits may be paid to the participant upon termination of employment in the form of a lump sum payment or installments. Participants experiencing a qualified financial hardship, on a qualified military leave or who have attained the age 59½ may withdraw a portion of their account balance as defined in the Plan while employed by the Company.

Telephone and Data Systems, Inc.

Tax-Deferred Savings Plan

December 31, 2013 and 2012

Notes to Financial Statements

Notes Receivable from Participants: Participants may borrow from their Plan 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 remaining balance in the participant's account. The notes bear interest at the prime rate plus 1% as published in the Wall Street Journal on the fifteenth day of the month prior to the quarter in which the note is processed. Principal and interest are paid ratably through after-tax payroll deductions. The repayment period on the note can range from one to five years. Notes are considered in default if no note payment is received during two consecutive pay periods.

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.

Plan Expenses: With the exception of loan origination fees, all administrative, recordkeeping, Trustee, auditing and investment consulting fees related to the Plan are borne by TDS prior to July 1, 2014. Beginning July 1, 2014, certain administrative, recordkeeping and Trustee fees will be paid by Plan participants while auditing and investment consulting fees will continue to be borne by TDS. Investment expenses and loan origination fees were, and will continue to be, paid by Plan participants; Plan participants will also pay participant-initiated transaction fees (distribution, withdrawal, QDRO, etc.).

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 accounting principles generally accepted in the United States of America (“GAAP”) 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.

Fully Benefit-Responsive Investment Contracts: In accordance with GAAP, fully benefit-responsive investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan

attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through the Vanguard Retirement Savings Trust II, a collective trust. At December 31, 2013 and 2012, all of the Vanguard Retirement Savings Trust II's investments were in the Vanguard Retirement Savings Master Trust ("the Vanguard Trust"). The Statement of Net Assets Available for Benefits presents the fair value of the investment in the collective trust as well as the adjustment of the investment in the collective trust from fair value to contract value relating to the investment contracts. The Statement of Changes in Net Assets Available for Benefits is prepared using the contract value basis for fully benefit-responsive investment contracts.

The Vanguard Trust provides for the collective investment of assets of tax-exempt pension and profit-sharing plans, primarily in a pool of investment contracts that are issued by insurance companies and commercial banks and in contracts that are backed by bond trusts that are selected by the Trustee, Vanguard Fiduciary Trust Company. The issuers' ability to meet these obligations may be affected by economic developments in their respective companies and industries. At December 31, 2013, 96.9% of the Vanguard Trust's holdings were comprised of "traditional investment contracts" and "alternative investment contracts" as described below. The remainder of the Vanguard Trust's investments consisted of Money Market funds.

Traditional investment contracts issued by insurance companies and banks are nontransferable, but provide for benefit-responsive withdrawals by plan participants at contract value. For traditional investment contracts, fair value comprises the expected future cash flows for each contract discounted to present value. Contract value represents contributions made plus interest accrued at the contract rate, less withdrawals. The crediting rate on traditional contracts is typically fixed for the life of the investment.

Alternative investment contracts consist of investments together with contracts under which a bank or other institution provides for benefit-responsive withdrawals by plan participants at contract value. For alternative investment contracts, the fair value comprises the aggregate market values of the underlying investments in bond trusts, and the value of the wrap contracts, if any. The difference between valuation at contract value and fair value is reflected over time through the crediting rate formula provided for in the Vanguard Trust's synthetic contracts. The crediting rate of the contract resets every quarter (but will not fall below zero) based on the performance of the underlying investment portfolio. To the extent that the Vanguard Trust has unrealized gains and losses (that are accounted for, under contract value accounting, through the value of the synthetic contract), the interest crediting rate may differ from then-current market rates. An investor currently redeeming Vanguard Trust units may forgo a benefit, or avoid a loss, related to a future crediting rate different from then-current market rates. Future average interest crediting rates on alternative investment contracts

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Notes to Financial Statements

could be influenced by changes in market interest rates. These contracts can be terminated by the trust or the issuer after providing 60 days' notice.

The average yield earned by the Vanguard Trust was 1.98% and 2.22% for the years ended December 31, 2013 and 2012, respectively. This average yield is calculated by dividing the annualized earnings of all investments in the Vanguard Trust (irrespective of the interest rate credited to participants in the Vanguard Trust) by the fair value of all investments in the Vanguard Trust on the last day of the fiscal year.

The average yield earned by the Vanguard Trust with an adjustment to reflect the actual interest rate credited to participants in the Vanguard Trust was 1.56% and 1.82% for the years ended December 31, 2013 and 2012, respectively. This average yield is calculated by dividing the annualized earnings credited to participants (irrespective of the actual earnings of the investments in the Vanguard Trust) by the fair value of all investments in the Vanguard Trust on the last day of the fiscal year.

The existence of certain conditions can limit the Vanguard Trust's ability to transact at contract value with issuers of its investment contracts. Specifically, any event outside the normal operation of the Vanguard Trust that causes a withdrawal from an investment contract may result in a negative market value adjustment with respect to the withdrawal. Examples of such events include, but are not limited to, partial or complete legal termination of the Vanguard Trust or the Plan, tax disqualification of the Vanguard Trust or the Plan, and certain Vanguard Trust amendments if issuers' consent is not obtained. As of December 31, 2013, the occurrence of an event outside the normal operation of the Vanguard Trust that would cause a withdrawal from an investment contract with a negative market value adjustment is not considered to be probable.

The tables below summarize the Plan's investment measured at fair value based on the net asset value (NAV per share) in the Vanguard Trust:

December 31, 2013							
						Participant	Redemption

					Unfunded	Redemption	Notice
	_	Fair Value			Commitments	Frequency	Period (1)
Vanguard Retirement Savings Trust II	$	88,514,831		$	-	Daily	Twelve months
December 31, 2012							
						Participant	Redemption
					Unfunded	Redemption	Notice
	_	Fair Value			Commitments	Frequency	Period (1)
Vanguard Retirement Savings Trust II	$	91,619,394		$	-	Daily	Twelve months
(1) This notice period provides for Plan redemptions at contract value, subject to other provisions of the Declaration of Trust.							

Telephone and Data Systems, Inc.

Tax-Deferred Savings Plan

December 31, 2013 and 2012

Notes to Financial Statements

Investment Valuation and Income Recognition: Investments are reported at fair value. See Note 3 – Fair Value Measurements for further information on the fair value of the Plan's assets. The Plan's Investment Management Committee determines the Plan's valuation policies utilizing information provided by the investment advisers and custodians.

Net appreciation/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. The net realized gains or losses on the sale of investments represent 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. 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.

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.

Notes Receivable from Participants: Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant notes are reclassified as distributions based upon the terms of the Plan document.

Payment of Benefits: Benefits are recorded when paid.

Note 3. Fair Value Measurements

Fair value is a market based measurement and not an entity specific measurement, based on an exchange transaction in which the entity sells an asset or transfers a liability (exit price) in an orderly transaction between market participants. GAAP establishes a fair value hierarchy that contains three levels for inputs used in fair value measurements. The three levels of the fair value hierarchy are described below:

Level 1 Quoted market prices for identical assets or liabilities in active markets;

Level 2 Quoted market prices for similar assets and liabilities in active markets or quoted market prices for identical assets and liabilities in inactive markets;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. A financial instrument's level within the fair value hierarchy is not representative of its expected performance or its overall risk profile, and therefore Level 3 assets are not necessarily higher risk than Level 2 assets or Level 1 assets. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

The Plan values shares of TDS Common stock and Common stock of U.S. Cellular, TDS' subsidiary, based on the closing price reported on the active market in which the individual securities are traded. These securities are classified as Common Stock of Plan Sponsor and Subsidiary. The Plan also values Mutual Funds based on the closing price reported on the active market in which the individual securities are traded. Common Stock of Plan Sponsor and Subsidiary and Mutual Funds are classified within Level 1 of the valuation hierarchy.

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Notes to Financial Statements

The Investment Contracts are bank common trusts that invest in synthetic investment contracts which are backed by investments issued by insurance companies and banks. The fair value is determined based on the underlying investments of the common trust as traded in active markets or valued using significant observable inputs. The underlying investment is classified as Level 2 in the audited financial statements of the bank common trust. The Net Asset Value (NAV) for the Investment Contracts is $1 per share. The Investment Contracts are valued based on the value provided by the administrator of the fund.

The following tables show investment assets at fair value within the fair value hierarchy, as of December 31, 2013 and 2012, respectively.

December 31, 2013		Level 1	Level 2	Level 3	Total
Mutual Funds					
	Bond	$ 54,993,240	$ -	$ -	$ 54,993,240
	International equity	60,826,677	-	-	60,826,677
	Money market	870,253	-	-	870,253
	Retirement income	4,807,658	-	-	4,807,658
	Target date	151,469,765	-	-	151,469,765
	U.S. large cap	214,081,980	-	-	214,081,980
	U.S. small cap	92,331,163	-	-	92,331,163
Common Stock of Plan Sponsor and Subsidiary		40,614,955	-	-	40,614,955
Investment Contracts		-	88,514,831	-	88,514,831
Total investments at fair value		$ 619,995,691	$ 88,514,831	$ -	$ 708,510,522
December 31, 2012		Level 1	Level 2	Level 3	Total
Mutual Funds					
	Bond	$ 65,655,524	$ -	$ -	$ 65,655,524

	International equity		53,845,987			-			-			53,845,987	
	Money market		534,203			-			-			534,203	
	Retirement income		5,328,336			-			-			5,328,336	
	Target date		112,982,618			-			-			112,982,618	
	U.S. large cap		164,109,882			-			-			164,109,882	
	U.S. small cap		63,957,070			-			-			63,957,070	
Common Stock of Plan Sponsor and Subsidiary			36,862,155			-			-			36,862,155	
Investment Contracts			-			91,619,394			-			91,619,394	
Total investments at fair value		$	503,275,775		$	91,619,394		$	-		$	594,895,169	

Telephone and Data Systems, Inc.

Tax-Deferred Savings Plan

December 31, 2013 and 2012

Notes to Financial Statements

Note 4. Investments

The following presents investments as of December 31, 2013 and 2012:

	2013		2012	
Bank Common Trust				
Vanguard Retirement Savings Trust II (1)	$ 86,114,977	*	$ 87,007,048	*
Common Stock of Plan Sponsor and Subsidiary				
Telephone and Data Systems, Inc.	18,961,061		17,983,946	
United States Cellular Corporation	21,653,894		18,878,209	
Mutual Funds				
Mutual Funds Available for Participant Contributions:				
Vanguard Institutional Index Fund	82,315,873	*	63,250,674	*
Vanguard Small Cap Value Index Fund	39,585,727	*	26,644,682	
Vanguard Value Index Fund	48,606,072	*	35,105,397	*
Vanguard Small Cap Growth Index Fund	52,745,436	*	37,312,388	*
Vanguard Total Bond Market Index Fund	54,993,240	*	65,655,524	*
Vanguard Growth Index Fund	83,160,035	*	65,753,811	*
Vanguard Total International Stock Index Fund	60,826,677	*	53,845,987	*
Vanguard Target Retirement Income Fund	4,807,658		5,328,336	
Vanguard Target 2010 Retirement Fund	1,848,371		1,705,235	
Vanguard Target 2015 Retirement Fund	7,396,832		7,091,552	

		Vanguard Target 2020 Retirement Fund			15,373,484				10,853,623		
		Vanguard Target 2025 Retirement Fund			17,577,367				13,339,202		
		Vanguard Target 2030 Retirement Fund			17,623,240				13,179,333		
		Vanguard Target 2035 Retirement Fund			22,458,207				15,920,874		
		Vanguard Target 2040 Retirement Fund			22,075,046				15,604,264		
		Vanguard Target 2045 Retirement Fund			21,555,653				16,174,533		
		Vanguard Target 2050 Retirement Fund			23,436,359				18,463,078		
		Vanguard Target 2055 Retirement Fund			2,125,206				650,924		
	Mutual Funds Used by the Plan to Invest Cash Pending Settlement:										
		Dreyfus Treasury & Agency Cash			870,253				534,203		
			Total Investments		$ 706,110,668				$ 590,282,823		
* Investment represents 5% or more of the Plan's net assets.											
(1) The amount reported is contract value; the fair value of the related assets was $88,514,831 and $91,619,394 at December 31, 2013 and 2012, respectively.											

During the year ended December 31, 2013, the Plan's investments (including gains and losses on investments bought, sold, and held during the year) earned income as follows:

Net appreciation (depreciation) in fair value:				
	Common Stock of Plan Sponsor and Subsidiary	$	7,163,357	
	Mutual Funds		99,597,546	
			106,760,903	
Interest and dividends			15,665,695	
	Net investment gain of funds	$	122,426,598	

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Notes to Financial Statements

Investments, in general, are subject to various risks, including credit, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Statements of Net Assets Available for Benefits.

Note 5. Parties In Interest

The Bank of New York Mellon sponsors plan investments in Dreyfus Treasury & Agency Cash. The Bank of New York Mellon is the directed trustee of the Plan and, therefore, these transactions qualify as party-in-interest transactions.

Notes receivable from participants also qualify as party-in-interest transactions.

United States Cellular Corporation is a subsidiary of Telephone and Data Systems, Inc. The Plan invests in common stock of United States Cellular Corporation and Telephone and Data Systems, Inc. Transactions in shares of United States Cellular Corporation and Telephone and Data Systems, Inc. common stock qualify as party-in-interest transactions under the provisions of ERISA. During the year ended December 31, 2013, the Plan made purchases of $6,103,455 and sales of $9,440,684 of Company and subsidiary common stock.

Note 6. Tax Status

The Plan obtained its latest determination letter on September 25, 2009 in which the Internal Revenue Service stated that the Plan, as designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). The Plan has been amended since the receipt of the determination letter. The Plan administrator believes that the Plan is designed and being operated in compliance with the applicable requirements of the IRC. Therefore, the Plan administrator believes that the Plan was qualified and the related trust was tax-exempt at December 31, 2013. Additionally, the Plan has filed for a new determination letter. The Plan submitted an Application for Determination (Form 5300) with the IRS on January 24, 2014.

Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements as of December 31, 2013 or 2012. With few exceptions, the Plan is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2010.

Note 7. Reconciliation of Financial Statements to Form 5500

A reconciliation between the financial statements and Form 5500 as of December 31, 2013 and 2012, and for the year ended December 31, 2013 is as follows:

	2013		2012	
Total net assets per Form 5500, Schedule H	$	731,392,074	$	607,660,602
Adjustment from fair value to contract value for fully benefit-responsive investment contracts		(2,399,854)		(4,612,346)
Investments		(12,452,550)		(12,704,556)
Notes receivable from participants		12,452,550		12,704,556
Deemed distributions of notes receivable from participants		40,400		3,521
Net Assets Available for Benefits Per Financial Statements	$	729,032,620	$	603,051,777
Change in net assets per Form 5500, Schedule H	$	113,423,981		
Change in fair value to contract value for fully benefit-responsive investment contracts		2,212,492		
Change in investments		252,006		
Change in notes receivable from participants		(252,006)		
Change in deemed distributions of notes receivable from participants		36,879		
Change in Net Assets Available for Benefits Per Financial Statements	$	115,673,352		

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Tax-Deferred Savings Plan

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Notes to Financial Statements

Note 8. Subsequent Events

The Plan's management evaluated subsequent events from December 31, 2013 through May 21, 2014, the date these financial statements were issued. During this period, there have been no significant subsequent events that require adjustments to or disclosure in the financial statements as of December 31, 2013 and for the year then ended.

Note 9. Plan Merger

Effective December 31, 2013, the Plan sponsor approved the merger of the Vital Support Systems 401(k) Retirement Plan into the Plan. A majority of the plan assets were transferred to the Telephone and Data Systems, Inc. Tax-Deferred Savings Plan on January 2, 2014 with the remaining assets being received on January 24, 2014. Participants are 100% vested in balances and earnings on the amounts transferred into the Plan from the Vital Support Systems 401(k) Retirement Plan. Balances transferred in are eligible for withdrawal as described above under "Payment of Benefits." In addition, balances from the Vital Support Systems 401(k) Retirement Plan attributable to rolled over funds are eligible for withdrawal at any time.

Telephone and Data Systems, Inc.

Tax-Deferred Savings Plan

Schedule H, line 4i - Schedule of Assets (Held at End of Year)

Plan 003 EIN 36-2669023

December 31, 2013

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value		(d) Cost		(e) Current Value
	Bank Common Trust					
	Vanguard Retirement Savings Trust II	86,114,977	Shares	**	$	88,514,831
	Common Stock of Plan Sponsor and Subsidiary					
*	Telephone and Data Systems, Inc.	735,495	Shares	**		18,961,061
*	United States Cellular Corporation	517,788	Shares	**		21,653,894
	Mutual Funds					
	Mutual Funds Available for Participant Contributions:					
	Vanguard Institutional Index Fund	486,271	Shares	**		82,315,873
	Vanguard Small Cap Value Index Fund	1,693,869	Shares	**		39,585,727
	Vanguard Value Index Fund	1,632,172	Shares	**		48,606,072
	Vanguard Small Cap Growth Index Fund	1,532,407	Shares	**		52,745,436
	Vanguard Total Bond Market Index Fund	5,207,693	Shares	**		54,993,240
	Vanguard Growth Index Fund	1,737,206	Shares	**		83,160,035
	Vanguard Total International Stock Index Fund	542,950	Shares	**		60,826,677

				Vanguard Target Retirement Income Fund	384,613	Shares	**		4,807,658
				Vanguard Target 2010 Retirement Fund	72,202	Shares	**		1,848,371
				Vanguard Target 2015 Retirement Fund	500,801	Shares	**		7,396,832
				Vanguard Target 2020 Retirement Fund	567,078	Shares	**		15,373,484
				Vanguard Target 2025 Retirement Fund	1,116,023	Shares	**		17,577,367
				Vanguard Target 2030 Retirement Fund	637,599	Shares	**		17,623,240
				Vanguard Target 2035 Retirement Fund	1,322,627	Shares	**		22,458,207
				Vanguard Target 2040 Retirement Fund	779,486	Shares	**		22,075,046
				Vanguard Target 2045 Retirement Fund	1,213,719	Shares	**		21,555,653
				Vanguard Target 2050 Retirement Fund	831,371	Shares	**		23,436,359
				Vanguard Target 2055 Retirement Fund	70,023	Shares	**		2,125,206
	Mutual Funds Used by the Plan to Invest								
			Cash Pending Settlement:						
*				Dreyfus Treasury & Agency Cash	870,253	Shares	**		870,253
*	Participants				Participant loans (interest rates range from 4.25% to 10.25%, maturing January 2014 to December 2018)				12,452,550
								$	720,963,072
* Represents a party in interest									
** Cost omitted for participant directed investments									

Signatures

Pursuant to the requirements of the Securities and 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		
				By:		/s/ Douglas D. Shuma		
						Douglas W. Chambers, Assistant Controller		
Dated:	May 21, 2014							