

Notes to Consolidated Financial Statements

Iowa as well as other Airadigm assets. As of December 31, 2001, TDS had provided funding of \$52.7 million to Airadigm. Under the plan of reorganization, TDS's portion of the funding and the cost of the assets to be acquired could possibly aggregate up to an additional \$145 million.

U.S. Cellular is a limited partner in a joint venture that was a successful bidder for 17 licenses in 13 markets in the January 2001 FCC spectrum auction. The cost for the 17 licenses totaled \$283.9 million. Although legally the general partner controls the joint venture, the Company has included the joint venture in its consolidated financial statements because U.S. Cellular is considered to have controlling financial interest for financial reporting purposes. The joint venture has acquired 5 of such licenses in 4 markets for a total of \$4.1 million and has deposits with the FCC totaling \$56.1 million for the remaining licenses (classified as a current asset at December 31, 2001). Subject to the final outcome of the proceedings discussed below, the joint venture's portion of the funding could possibly aggregate up to an additional \$223.7 million to fund the acquisition of the remaining licenses. In addition, U.S. Cellular has agreed to loan the general partner up to \$20 million that could be used by the general partner to fund its investment in the licenses.

With respect to the remaining 12 licenses in 9 markets, such licenses had been reaucted by the FCC after defaults by winning bidders in a prior auction and were made subject by the FCC to the final outcome of certain legal proceedings initiated by the prior winning bidders. Following the reauction, one of the prior winning bidders obtained a court ruling that the FCC's actions were illegal. In an effort to resolve this matter, on November 15, 2001, the joint venture and other bidders in the reauction entered into a settlement agreement with the prior winning bidder and the FCC. However, the settlement agreement terminated due to the failure to satisfy a condition to obtain certain Congressional action by December 31, 2001. The U.S. Supreme Court has agreed to review this matter. In the event the prior winning bidder is successful in this litigation, the joint venture would receive a refund of its deposit of \$56.1 million made to the FCC for such 12 licenses. The joint venture's financial requirements would then be limited to the 5 licenses in 4 markets that it acquired in 2001. If the FCC is successful in this litigation or the matter is otherwise resolved in a manner that will permit the joint

venture to acquire the remaining licenses, the joint venture would likely be required to pay the FCC the balance of the auction price for such licenses. The joint venture would then have significant financial requirements to build out such markets. The exact nature of U.S. Cellular's financial commitment going forward will be determined as the joint venture develops its long-term business and financing plans.

23 Business Segment Information

The Company conducts substantially all of its wireless telephone operations through its 82.2%-owned subsidiary, United States Cellular Corporation ("U.S. Cellular"). At December 31, 2001, U.S. Cellular provided cellular telephone service to 3,461,000 customers through 142 majority-owned and managed cellular systems in 25 states. The Company conducts its wireline telephone operations through its wholly-owned subsidiary, TDS Telecommunications Corporation ("TDS Telecom"). TDS Telecom provides service through local telephone operations, or Incumbent Local Exchange carrier ("ILEC") companies and through Competitive Local Exchange carrier ("CLEC") companies. At December 31, 2001, TDS Telecom operated 109 incumbent telephone companies serving 650,700 access lines in 28 states and two competitive local exchange carriers serving 197,200 access lines in four states.

In September 1999, TDS approved a plan of merger between Aerial and VoiceStream. The merger was completed in May 2000. The results of operations and net assets of Aerial are reflected as discontinued operations in the consolidated financial statements. See Note 3 — Discontinued Operations.

U.S. Cellular and TDS Telecom are billed for all services they receive from TDS, consisting primarily of information processing 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 which is representative of what they would have been if U.S. Cellular and TDS Telecom operated on a stand-alone basis.

Notes to Consolidated Financial Statements

Financial data for the Company's business segments for each of the years ended December 31, 2001, 2000 and 1999 are as follows.

Year Ended or at December 31, 2001	TDS Telecom				
	U.S. Cellular	ILEC	CLEC	All Other ⁽¹⁾	Total
	(Dollars in thousands)				
Operating revenues	\$1,894,830	\$ 576,817	\$ 118,812	\$ (1,917)	\$ 2,588,542
Operating cash flow ⁽²⁾	617,870	293,703	(25,399)	—	886,174
Depreciation and amortization expense	300,658	131,787	17,574	—	450,019
Operating income (loss)	317,212	161,916	(42,973)	—	436,155
Significant noncash items:					
Investment income	41,934	1,739	—	6,966	50,639
Gain (loss) on marketable securities and other investments	—	—	—	(548,305)	(548,305)
Marketable securities	272,390	—	—	2,427,840	2,700,230
Total assets	3,725,014	1,527,758	213,566	2,580,454	8,046,792
Investment in unconsolidated entities	159,454	48,320	—	25,904	233,678
Capital expenditures	\$ 503,334	\$ 99,866	\$ 96,950	\$ —	\$ 700,150

Year Ended or at December 31, 2000	TDS Telecom				Total
	U.S. Cellular	ILEC	CLEC	All Other ⁽¹⁾	
	(Dollars in thousands)				
Operating revenues	\$ 1,716,640	\$ 528,981	\$ 84,720	\$ (3,485)	\$2,326,856
Operating cash flow ⁽²⁾	558,011	267,097	(5,899)	—	819,209
Depreciation and amortization expense	265,698	124,389	9,056	—	399,143
Operating income (loss)	292,313	142,708	(14,955)	—	420,066
Significant noncash items:					
Investment income	43,727	1,731	—	(6,735)	38,723
Gain (loss) on marketable securities and other investments	96,075	—	—	(80,359)	15,716
Marketable securities	377,900	—	—	3,744,004	4,121,904
Total assets	3,412,709	1,245,260	120,543	3,856,097	8,634,609
Investment in unconsolidated entities	137,474	24,619	—	20,232	182,325
Capital expenditures	\$ 305,417	\$ 93,401	\$ 57,201	\$ —	\$ 456,019

Year Ended or at December 31, 1999	TDS Telecom				Total
	U.S. Cellular	ILEC	CLEC	All Other ⁽¹⁾	
	(Dollars in thousands)				
Operating revenues	\$ 1,576,429	\$ 492,530	\$ 55,173	\$ (1,786)	\$2,122,346
Operating cash flow ⁽²⁾	485,814	241,536	(3,635)	—	723,715
Depreciation and amortization expense	229,972	117,443	5,907	—	353,322
Operating income (loss)	255,842	124,093	(9,542)	—	370,393
Significant noncash items:					
Investment income	30,374	1,369	—	(419)	31,324
Gain (loss) on marketable securities and other investments	266,744	—	—	79,194	345,938
Marketable securities	540,711	—	—	302,569	843,280
Total assets	3,331,590	1,243,068	63,661	759,157	5,397,476
Investment in unconsolidated entities	111,471	14,183	—	115,055	240,709
Capital expenditures	\$ 277,450	\$ 99,154	\$ 23,027	\$ —	\$ 399,631

(1) Consists of the TDS Corporate operations, TDS Telecom intercompany eliminations, TDS Corporate and TDS Telecom marketable equity securities, \$258.8 million of Discontinued Operations in 1999 and all other businesses not included in the U.S. Cellular or TDS Telecom segments.
(2) Operating cash flow is operating income plus depreciation and amortization.