

TELEPHONE & DATA SYSTEMS INC /DE/
Form 10-Q
August 03, 2012

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ **to** _____

Commission File Number 001-14157

TELEPHONE AND DATA SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction or incorporation of)

36-2669023
(I.R.S. Employer Identification No.)

organization)

30 North LaSalle Street, Chicago, Illinois 60602

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(312) 630-1900**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 30, 2012
Common Shares, \$.01 par value	101,495,552 Shares
Series A Common Shares, \$.01 par value	7,135,334 Shares

Table of contents

Telephone and Data Systems, Inc.

**Quarterly Report on Form 10-Q
For the Quarterly Period Ended June 30, 2012**

Index

	Page No.
<u>Part I.</u> <u>Financial Information</u>	
<u>Item 1.</u> <u>Financial Statements (Unaudited)</u>	
<u>Consolidated Statement of Operations</u> <u>Three and Six Months Ended June 30, 2012 and</u> <u>2011</u>	<u>3</u>
<u>Consolidated Statement of Comprehensive Income</u> <u>Three and Six Months Ended June 30, 2012 and</u> <u>2011</u>	<u>4</u>
<u>Consolidated Statement of Cash Flows</u> <u>Six Months Ended June 30, 2012 and 2011</u>	<u>5</u>
<u>Consolidated Balance Sheet</u> <u>June 30, 2012 and December 31, 2011</u>	<u>6</u>
<u>Consolidated Statement of Changes in Equity</u> <u>Six Months Ended June 30, 2012 and 2011</u>	<u>8</u>
<u>Notes to Consolidated Financial Statements</u>	<u>10</u>
<u>Item 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and</u> <u>Results of Operations</u>	<u>26</u>
<u>Overview</u>	<u>26</u>
<u>Six Months Ended June 30, 2012 and 2011</u>	<u>32</u>

	<u>Results of Operations — Consolidated</u>	<u>32</u>
	<u>Results of Operations — U.S. Cellular</u>	<u>34</u>
	<u>Results of Operations — TDS Telecom</u>	<u>39</u>
	<u>Three Months Ended June 30, 2012 and 2011</u>	<u>44</u>
	<u>Results of Operations — Consolidated</u>	<u>44</u>
	<u>Results of Operations — U.S. Cellular</u>	<u>45</u>
	<u>Results of Operations — TDS Telecom</u>	<u>47</u>
	<u>Recent Accounting Pronouncements</u>	<u>51</u>
	<u>Financial Resources</u>	<u>51</u>
	<u>Liquidity and Capital Resources</u>	<u>54</u>
	<u>Application of Critical Accounting Policies and Estimates</u>	<u>58</u>
	<u>Safe Harbor Cautionary Statement</u>	<u>62</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>65</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>66</u>
<u>Part II.</u>	<u>Other Information</u>	<u>67</u>
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>67</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>67</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>67</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>68</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>68</u>
<u>Signatures</u>		<u>69</u>

Table of contents

Part I. Financial Information

Item 1. Financial Statements

Telephone and Data Systems, Inc.

Consolidated Statement of Operations

(Unaudited)

(Dollars and shares in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Operating revenues	\$ 1,323,169	\$ 1,279,640	\$ 2,628,960	\$ 2,538,321
Operating expenses				