

TELEPHONE & DATA SYSTEMS INC /DE/
Form 10-Q
May 04, 2012

Table of Contents

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 March 31, 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)

36-2669023

Delaware

(I.R.S. Employer Identification No.)

(State or other jurisdiction of

incorporation or 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 March 31, 2012
Common Shares, \$.01 par value	101,411,521 Shares
Series A Common Shares, \$.01 par value	7,131,832 Shares

Table of Contents

Telephone and Data Systems, Inc.

**Quarterly Report on Form 10-Q
For the Quarterly Period Ended March 31, 2012**

Index

	Page No.
<u>Part I.</u>	
<u>Financial Information</u>	
<u>Item 1.</u>	
<u>Financial Statements (Unaudited)</u>	<u>3</u>
<u>Consolidated Statement of Operations Three Months Ended March 31, 2012 and 2011</u>	<u>3</u>
<u>Consolidated Statement of Comprehensive Income Three Months Ended March 31, 2012 and 2011</u>	<u>4</u>
<u>Consolidated Statement of Cash Flows Three Months Ended March 31, 2012 and 2011</u>	<u>5</u>
<u>Consolidated Balance Sheet March 31, 2012 and December 31, 2011</u>	<u>6</u>
<u>Consolidated Statement of Changes in Equity Three Months Ended March 31, 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 Results of Operations</u>	<u>22</u>
<u>Overview</u>	<u>22</u>
Three Months Ended March 31, 2012 and 2011	

	<u>Results of Operations — Consolidated</u>	<u>28</u>
	<u>Results of Operations — U.S. Cellular</u>	<u>30</u>
	<u>Results of Operations — TDS Telecom</u>	<u>35</u>
	<u>Recent Accounting Pronouncements</u>	<u>40</u>
	<u>Financial Resources</u>	<u>40</u>
	<u>Liquidity and Capital Resources</u>	<u>43</u>
	<u>Application of Critical Accounting Policies and Estimates</u>	<u>46</u>
	<u>Safe Harbor Cautionary Statement</u>	<u>47</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>50</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>51</u>
<u>Part II.</u>	<u>Other Information</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>52</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>52</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>52</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>53</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>53</u>

Signatures

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 March 31,	
	2012	2011
Operating revenues	\$ 1,305,791	\$ 1,258,681
Operating expenses		
Cost of services and products (excluding Depreciation, amortization and accretion expense reported below)	509,211	486,746
Selling, general and administrative	507,599	491,106
Depreciation, amortization and accretion	197,434	190,813
(Gain) loss on asset disposals, net	(2,095)	1,143
Total operating expenses	1,212,149	1,169,808
Operating income	93,642	88,873
Investment and other income (expense)		
Equity in earnings of unconsolidated entities	23,389	19,388
Interest and dividend income	2,183	2,624
Interest expense	(24,464)	(26,509)
Other, net	228	80
Total investment and other income (expense)	1,336	(4,417)
Income before income taxes	94,978	84,456
Income tax expense	27,412	30,159
Net income	67,566	54,297
Less: Net income attributable to noncontrolling interests, net of tax	(15,312)	(10,793)
Net income attributable to TDS shareholders	52,254	43,504
Preferred dividend requirement	(12)	(12)
Net income available to common shareholders	\$ 52,242	\$ 43,492

Basic weighted average shares outstanding (1)		108,653		108,936
Basic earnings per share attributable to TDS shareholders (1)	\$	0.48	\$	0.40
Diluted weighted average shares outstanding (1)		109,098		109,715
Diluted earnings per share attributable to TDS shareholders (1)	\$	0.48	\$	0.39
Dividends per share (2)	\$	0.1225	\$	0.1175

(1) On January 13, 2012, TDS shareholders approved a Share Consolidation Amendment to the Restated Certificate of Incorporation of TDS. Average basic and diluted shares outstanding used to calculate earnings per share for the comparative period presented have been retroactively restated to reflect the impact of the increased shares outstanding as a result of the Share Consolidation Amendment.

(2) Dividends per share reflects the amount paid per share outstanding at the date the dividend was declared and has not been retroactively adjusted to reflect the impact of the Share Consolidation Amendment.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Telephone and Data Systems, Inc.****Consolidated Statement of Comprehensive Income****(Unaudited)**

(Dollars in thousands)	Three Months Ended March 31,	
	2012	2011
Net income	\$ 67,566	\$ 54,297
Net change in accumulated other comprehensive income		
Change in net unrealized gain (loss) on equity investments	—	—
Change related to retirement plan		
Amounts included in net periodic benefit cost for the period		
Amortization of prior service cost	(934)	(954)
Amortization of unrecognized net loss	623	480
	(311)	(474)
Deferred income taxes	470	523
Net change related to retirement plan	159	49
Net change in accumulated other comprehensive income	159	49
Comprehensive income	67,725	54,346
Less: Comprehensive income attributable to noncontrolling interest	(15,312)	(10,793)
Comprehensive income attributable to TDS Shareholders	\$ 52,413	\$ 43,553

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Telephone and Data Systems, Inc.****Consolidated Statement of Cash Flows****(Unaudited)**

(Dollars in thousands)	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities		
Net income	\$ 67,566	\$ 54,297
Add (deduct) adjustments to reconcile net income to net cash flows from operating activities		
Depreciation, amortization and accretion	197,434	190,813
Bad debts expense	15,105	14,285
Stock-based compensation expense	10,330	9,459
Deferred income taxes, net	6,187	47,841
Equity in earnings of unconsolidated entities	(23,389)	(19,388)
Distributions from unconsolidated entities	2,938	8,439
(Gain) loss on asset disposals, net	(2,095)	1,143
Noncash interest expense	862	875
Other operating activities	852	1,159
Changes in assets and liabilities from operations		
Accounts receivable	38,941	8,438
Inventory	(4,842)	2,978
Accounts payable	(25,372)	56,189
Customer deposits and deferred revenues	10,745	10,342
Accrued taxes	82,014	18,832
Accrued interest	9,117	15,072
Other assets and liabilities	(104,148)	(87,732)
	282,245	333,042
Cash flows from investing activities		
Cash used for additions to property, plant and equipment	(242,611)	(157,897)
Cash paid for acquisitions and licenses	(11,096)	—
Cash received from divestitures	50,036	—
Cash paid for investments	(10,000)	—
Cash received for investments	20,249	122,785
Transfer of cash to Restricted cash	—	(282,500)
Other investing activities	(436)	(1,503)

	(193,858)	(319,115)
Cash flows from financing activities		
Repayment of long-term debt	(493)	(402)
Issuance of long-term debt	358	300,000
TDS Common Shares and Special Common Shares reissued for benefit plans, net of tax payments	(33)	587
U.S. Cellular Common Shares reissued for benefit plans, net of tax payments	357	1,305
Repurchase of TDS Common and Special Common Shares	—	(11,603)
Repurchase of U.S. Cellular Common Shares	—	(17,357)
Dividends paid	(13,301)	(12,197)
Payment of debt issuance costs	—	(9,848)
Distributions to noncontrolling interests	(218)	(686)
Other financing activities	798	968
	(12,532)	250,767
Net increase in cash and cash equivalents	75,855	264,694
Cash and cash equivalents		
Beginning of period	563,275	341,683
End of period	\$ 639,130	\$ 606,377

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Telephone and Data Systems, Inc.****Consolidated Balance Sheet — Assets****(Unaudited)**

(Dollars in thousands)	March 31, 2012	December 31, 2011
Current assets		
Cash and cash equivalents	\$ 639,130	\$ 563,275
Short-term investments	229,975	246,273
Accounts receivable		
Due from customers and agents, less allowances of \$23,891 and \$25,738, respectively	348,371	393,978
Other, less allowances of \$5,464 and \$5,333, respectively	147,038	148,599
Inventory	134,929	130,044
Net deferred income tax asset	40,898	40,898
Prepaid expenses	84,201	80,628
Income taxes receivable	9,314	85,636
Other current assets	18,117	16,349
	1,651,973	1,705,680
Assets held for sale	—	49,647
Investments		
Licenses	1,505,110	1,494,014
Goodwill	796,819	797,077
Other intangible assets, net of accumulated amortization of \$133,984 and \$131,101, respectively	47,851	50,734
Investments in unconsolidated entities	191,644	173,710
Long-term investments	50,333	45,138
Other investments	1,096	3,072
	2,592,853	2,563,745
Property, plant and equipment		
In service and under construction	10,341,851	10,197,596
Less: Accumulated depreciation	6,518,118	6,413,061
	3,823,733	3,784,535

Other assets and deferred charges		104,109		97,398
Total assets	\$	8,172,668	\$	8,201,005

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Telephone and Data Systems, Inc.****Consolidated Balance Sheet — Liabilities and Equity****(Unaudited)**

(Dollars and shares in thousands)	March 31, 2012	December 31, 2011
Current liabilities		
Current portion of long-term debt	\$ 1,420	\$ 1,509
Accounts payable	327,376	364,746
Customer deposits and deferred revenues	218,316	207,633
Accrued interest	16,518	7,456
Accrued taxes	46,671	41,069
Accrued compensation	54,990	107,719
Other current liabilities	94,536	144,001
	759,827	874,133
Liabilities held for sale	—	1,051
Deferred liabilities and credits		
Net deferred income tax liability	821,115	808,713
Other deferred liabilities and credits	391,397	383,567
Long-term debt	1,529,988	1,529,857
Commitments and contingencies	—	—
Noncontrolling interests with redemption features	1,064	1,005
Equity		
TDS shareholders' equity		
Series A Common and Common Shares (1)		
Authorized 290,000 shares (25,000 Series A Common and 265,000 Common Shares)		
(1)		

<p>Issued 132,634 shares (7,132 Series A Common and 125,502 Common Shares) and 132,621 shares (7,119 Series A Common and 125,502 Common Shares), respectively (1)</p> <p>Outstanding 108,544 shares (7,132 Series A Common and 101,412 Common Shares) and 108,456 shares (7,119 Series A Common and 101,337 Common Shares), respectively (1)</p> <p>Par Value (\$.01 per share) (\$71 Series A Common and \$1,255 Common Shares) (1)</p>					
			1,326		1,326
Capital in excess of par value (1)			2,278,384		2,268,711
Treasury shares at cost:					
24,090 and 24,165 Common Shares, respectively (1)			(746,988)		(750,921)
Accumulated other comprehensive loss			(8,695)		(8,854)
Retained earnings (1)			2,487,936		2,451,899
Total TDS shareholders' equity			4,011,963		3,962,161
Preferred shares			830		830
Noncontrolling interests			656,484		639,688
Total equity			4,669,277		4,602,679
Total liabilities and equity			\$ 8,172,668		\$ 8,201,005

(1) The December 31, 2011 amounts reflect the impact of the Share Consolidation Amendment to the Restated Certificate of Incorporation of TDS, as approved by the TDS shareholders on January 13, 2012.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Telephone and Data Systems, Inc.
Consolidated Statement of Changes in Equity
(Unaudited)

	TDS Shareholders								
	Accumulated								
	Series A Common and Common Shares (1)	Capital in Excess of Par Value (1)	Treasury Common Shares (1)	Other Comprehensive Income (Loss)	Retained Earnings (1)	Total TDS Shareholders' Equity (1)	Preferred Shares	Non controlling Interests	Total Equity (1)
December									
31, 2011	\$ 1,326	\$ 2,268,711	\$ (750,921)	\$ (8,854)	\$ 2,451,899	\$ 3,962,161	\$ 830	\$ 639,688	\$ 4,602,679
Add									
(Deduct)									
Net income attributable to TDS shareholders	—	—	—	—	52,254	52,254	—	—	52,254
Net income attributable to noncontrolling interests classified as equity	—	—	—	—	—	—	—	15,252	15,252
Change related to retirement plan	—	—	—	159	—	159	—	—	159
Common and Series A Common	—	—	—	—	(13,289)	(13,289)	—	—	(13,289)

Shares
dividends

Preferred dividend requirement	—	—	—	—	(12)	(12)	—	—	(12)
Dividend reinvestment plan	—	296	2,703	—	(1,585)	1,414	—	—	1,414
Incentive and compensation plans	—	444	1,230	—	(1,331)	343	—	—	343
Adjust investment in subsidiaries for repurchases, issuances, and other compensation plans	—	4,157	—	—	—	4,157	—	1,678	5,835
Stock-based compensation awards (2)	—	4,845	—	—	—	4,845	—	—	4,845
Tax windfall (shortfall) from stock awards (3)	—	(69)	—	—	—	(69)	—	—	(69)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(218)	(218)
Other	—	—	—	—	—	—	—	84	84
March									
31, 2012	\$ 1,326	\$ 2,278,384	\$ (746,988)	\$ (8,695)	\$ 2,487,936	\$ 4,011,963	\$ 830	\$ 656,484	\$ 4,669,277

Table of Contents

Telephone and Data Systems, Inc.

Consolidated Statement of Changes in Equity(Unaudited)

	Series A Common, Special Common and Common Shares		TDS Shareholders Accumulated		Retained Earnings	Total TDS Shareholders' Equity	Preferred Shares	Non controlling Interests	Total Equity
			Treasury Special Common and Common Shares	Other Comprehensive Income (Loss)					
(Dollars in thousands) December 31, 2010	Common Shares	Capital in Excess of Par Value	Common Shares	Income (Loss)	Earnings	Equity	Preferred Shares	Interests	Equity
Add (Deduct)	\$ 1,270	\$ 2,107,929	\$ (738,695)	\$ (3,208)	\$ 2,450,599	\$ 3,817,895	\$ 830	\$ 647,013	\$ 4,465,738
Net income attributable to TDS shareholders	—	—	—	—	43,504	43,504	—	—	43,504
Net income attributable to noncontrolling interests classified as equity	—	—	—	—	—	—	—	10,754	10,754
Change related to retirement plan	—	—	—	49	—	49	—	—	49
Common, Special Common and Series A Common Shares dividends	—	—	—	—	(12,185)	(12,185)	—	—	(12,185)
Preferred dividend	—	—	—	—	(12)	(12)	—	—	(12)

requirement									
Repurchase of shares	—	—	(11,603)	—	—	(11,603)	—	—	(11,603)
Dividend reinvestment plan	—	32	1,238	—	(295)	975	—	—	975
Incentive and compensation plans	—	489	997	—	(455)	1,031	—	—	1,031
Adjust investment in subsidiaries for repurchases, issuances and other compensation plans	—	1,985	—	—	—	1,985	—	(12,201)	(10,216)
Stock-based compensation awards (2)	—	3,667	—	—	—	3,667	—	—	3,667
Tax windfall (shortfall) from from stock awards (3)	—	(254)	—	—	—	(254)	—	—	(254)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(686)	(686)
March 31, 2011	\$ 1,270	\$ 2,113,848	\$ (748,063)	\$ (3,159)	\$ 2,481,156	\$ 3,845,052	\$ 830	\$ 644,880	\$ 4,490,762

(1) The December 31, 2011 amounts reflect the impact of the Share Consolidation Amendment to the Restated Certificate of Incorporation of TDS, as approved by the TDS shareholders on January 13, 2012.

(2) Reflects TDS Corporate and TDS Telecom's current year stock-based compensation awards impact on Capital in excess of par value. U.S. Cellular's amounts are included in Adjust investment in subsidiaries for repurchases, issuances and other compensation plans.

(3) Reflects tax windfalls/(shortfalls) associated with the exercise of options and the vesting of restricted stock awards of TDS Common Shares and TDS Special Common Shares. U.S. Cellular's tax windfalls/(shortfalls) associated with the exercise of options and vesting of restricted stock awards of U.S. Cellular are included in Adjust investment in subsidiaries for repurchases, issuances, and other compensation plans.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Telephone and Data Systems, Inc.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accounting policies of Telephone and Data Systems, Inc. ("TDS") conform to accounting principles generally accepted in the United States of America ("GAAP") as set forth in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The consolidated financial statements include the accounts of TDS and its majority-owned subsidiaries, including TDS' 84%-owned wireless telephone subsidiary, United States Cellular Corporation ("U.S. Cellular"), TDS' wholly-owned wireline telephone subsidiary, TDS Telecommunications Corporation ("TDS Telecom"), TDS' majority-owned printing and distribution company, Suttle-Straus, Inc. and TDS' majority-owned wireless telephone subsidiary Airadigm Communications, Inc. ("Airadigm"). In addition, the consolidated financial statements include certain entities in which TDS has a variable interest that require consolidation under GAAP. All material intercompany accounts and transactions have been eliminated.

The consolidated financial statements included herein have been prepared by TDS, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, TDS believes that the disclosures included herein are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in TDS' Annual Report on Form 10-K ("Form 10-K") for the year ended December 31, 2011.

Historically, TDS had reported the following business segments: U.S. Cellular, Incumbent Local Exchange Carrier ("ILEC") (which included Hosted and Managed Services ("HMS") operations), Competitive Local Exchange Carrier ("CLEC"), and Non-Reportable Segment which includes Suttle-Straus and Airadigm. TDS' Corporate operations and intercompany eliminations have been included in "Other Reconciling Items" for purposes of business segment disclosure. As a result of recent acquisitions and changes in TDS' strategy, operations, personnel and internal reporting, TDS has reevaluated its reportable business segments during the quarter ended March 31, 2012. TDS' business segments as of March 31, 2012, are U.S. Cellular, ILEC, CLEC, HMS and the Non-Reportable Segment. Periods presented for comparative purposes have been re-presented to conform to this revised presentation.

The accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring items, unless otherwise disclosed) necessary for a fair statement of the financial position as of March 31, 2012 and December 31, 2011, and the results of operations, changes in comprehensive income, cash flows and changes in equity for the three months ended March 31, 2012 and 2011. The results of operations, comprehensive income, cash flows and changes in equity for the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the full year.

Recent Accounting Pronouncements

As of March 31, 2012, there are no recent accounting pronouncements that are expected to have a material impact on TDS' financial position or results of operations.

Agent Liabilities

U.S. Cellular has relationships with agents, which are independent businesses that obtain customers for U.S. Cellular. At March 31, 2012 and December 31, 2011, U.S. Cellular had accrued \$43.8 million and \$75.3 million, respectively, for amounts due to agents, including rebates and commissions. These amounts are included in Other current liabilities in the Consolidated Balance Sheet.

Amounts Collected from Customers and Remitted to Governmental Authorities

If a tax is assessed upon the customer and TDS merely acts as an agent in collecting the tax on behalf of the imposing governmental authority, then amounts collected from customers and remitted to governmental authorities are recorded on a net basis within a tax liability account in the Consolidated Balance Sheet. If the tax is assessed upon TDS, then amounts collected from customers as recovery of the tax are recorded in Operating revenues and amounts remitted to governmental authorities are recorded in Selling, general and administrative expenses in the Consolidated Statement of Operations. The amounts recorded gross in revenues that are billed to customers and remitted to governmental authorities totaled \$39.6 million for the three months ended March 31, 2012 and \$35.5 million for the three months ended March 31, 2011.

Table of Contents

2. Revision of Prior Period Amounts

In preparing its Consolidated Statement of Cash Flows for the year ended December 31, 2011, TDS discovered certain errors related to the classification of outstanding checks with the right of offset and the classification of Accounts payable for Additions to property, plant and equipment. These errors resulted in the misstatement of Cash and cash equivalents and Accounts payable as of December 31, 2010 and each quarterly period in 2011, and the misstatement of Cash flows from operating activities and Cash flows from investing activities for the years ended December 31, 2010 and 2009 and each of the quarterly periods in 2011 and 2010. In accordance with *SEC Staff Accounting Bulletin Nos. 99 and 108* (“SAB 99” and “SAB 108”), TDS evaluated these errors and determined that they were immaterial to each of the reporting periods affected and, therefore, amendment of previously filed reports was not required. However, in order to provide consistency in the Consolidated Statement of Cash Flows and as permitted by SAB 108, revisions for these immaterial amounts to previously reported amounts were reflected in the financial information as of and for the periods ended December 31, 2011, are reflected in the financial information herein and will be reflected in future filings containing such financial information.

In preparing its financial statements for the nine months ended September 30, 2011, TDS discovered certain errors related to accounting for asset retirement obligations and asset retirement costs. These errors resulted in the overstatement of Total operating expenses, Property, plant and equipment, net and Other deferred liabilities and credits in the first and second quarter 2011 interim financial statements and in the 2010, 2009 and 2008 annual periods reported in the Company’s December 31, 2010 financial statements. In addition to these errors, TDS identified two other immaterial errors, related to interest expense and income tax expense that impacted the year ended December 31, 2010. The December 31, 2007 Retained earnings balance presented in the December 31, 2010 annual financial statements also was overstated as a result of these errors. In accordance with SAB 99 and SAB 108, TDS evaluated these errors and determined that they were immaterial to each of the reporting periods affected and, therefore, amendments of previously filed reports were not required. However, if the adjustments to correct the cumulative errors had been recorded in the third quarter 2011, TDS believes that the impact would have been significant to the third quarter results and would have impacted comparisons to prior periods. As permitted by SAB 108, revisions for these immaterial amounts to previously reported annual and quarterly results were reflected in the financial information as of and for the periods ended September 30, 2011 and December 31, 2011, are reflected in the financial information herein and will be reflected in future filings containing such financial information.

In accordance with SAB 108, the combined effects of the foregoing revisions to the Consolidated Statement of Operations and the Consolidated Statement of Cash Flows were as follows:

Consolidated Statement of Operations — Three Months Ended March 31, 2011

(Dollars in thousands)	As previously reported (1)	Adjustment	Revised
Depreciation, amortization and accretion	\$ 192,518	\$ (1,705)	\$ 190,813
Total operating expenses	1,171,513	(1,705)	1,169,808
Operating income	87,168	1,705	88,873
Interest expense	(28,099)	1,590	(26,509)
Total investment and other income (expense)	(6,007)	1,590	(4,417)
Income before income taxes	81,161	3,295	84,456
Income tax expense	28,917	1,242	30,159
Net income	52,244	2,053	54,297
Net income attributable to noncontrolling interests, net of tax	(10,622)	(171)	(10,793)
Net income attributable to TDS shareholders	41,622	1,882	43,504
Net income available to common shareholders	41,610	1,882	43,492
Basic earnings per share attributable to TDS shareholders	0.40	—	0.40
Diluted earnings per share attributable to TDS shareholders	0.40	(0.01)	0.39

Consolidated Statement of Cash Flows — Three Months Ended March 31, 2011

(Dollars in thousands)	As previously reported (1)	Adjustment	Revised
Net income	\$ 52,244	\$ 2,053	\$ 54,297
Depreciation, amortization and accretion	192,518	(1,705)	190,813
Change in Accounts payable	(15,134)	71,323	56,189
Change in Accrued taxes	17,590	1,242	18,832
Change in Accrued interest	16,662	(1,590)	15,072
Change in Other assets and liabilities	(87,661)	(71)	(87,732)
Cash flows from operating activities	261,790	71,252	333,042
Cash used for additions to property, plant and equipment	(127,463)	(30,434)	(157,897)
Cash flows from investing activities	(288,681)	(30,434)	(319,115)
Net increase (decrease) in cash and cash equivalents	223,876	40,818	264,694

(1) In Quarterly Report on Form 10-Q for the period ended March 31, 2011, filed on May 6, 2011.

Table of Contents

3. Fair Value Measurements

As of March 31, 2012 and December 31, 2011, TDS did not have any financial assets or liabilities that were required to be recorded at fair value in its Consolidated Balance Sheet in accordance with GAAP. However, TDS has applied the provisions of fair value accounting for purposes of computing the fair value of financial instruments for disclosure purposes as displayed below.

Under the provisions of GAAP, 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). The provisions also established a fair value hierarchy that contains three levels for inputs used in fair value measurements. Level 1 inputs include quoted market prices for identical assets or liabilities in active markets. Level 2 inputs include 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 inputs are 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.

Level within the Fair Value	March 31, 2012	December 31,
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