

TELEPHONE & DATA SYSTEMS INC /DE/
Form 10-Q/A
March 10, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 2)

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

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

For the quarterly period ended March 31, 2003

OR

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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 of
incorporation or organization)

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

30 North LaSalle Street, Chicago, Illinois 60602
(Address of principal executive offices) (Zip Code)

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

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Not Applicable

(Former address of principal executive offices) (Zip Code)

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

Class	Outstanding at April 30, 2003
Common Shares, \$.01 par value	50,894,011 Shares
Series A Common Shares, \$.01 par value	6,614,956 Shares

EXPLANATORY NOTE

Telephone and Data Systems, Inc. (TDS) is filing this Amendment No. 2 to its Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, which was originally filed with the Securities and Exchange Commission (the SEC) on May 14, 2003, and which was amended by Amendment No. 1 on February 17, 2004 (the Quarterly Report), to amend Part I, Item 1 Financial Statements and Item 2 Management s Discussion and Analysis of Results of Operations and Financial Condition and Part II, Item 6 Exhibits and Reports on Form 8-K of the Quarterly Report. In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, updated certifications by the TDS principal executive officer and principal financial officer are being filed as exhibits to this Form 10-Q/A.

This amendment does not amend any other Items except those indicated above and does not update any of the disclosures contained in the Quarterly Report as previously amended except as expressly provided herein. The filing of this Form 10-Q/A shall not be deemed an admission that the original or amended filings, when made, included any untrue statement of a material fact or omitted to state a material fact necessary to make a statement not misleading.

TELEPHONE AND DATA SYSTEMS, INC.

1st QUARTER REPORT ON FORM 10-Q/A

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PART I. FINANCIAL INFORMATIONITEM 1. FINANCIAL STATEMENTSTELEPHONE AND DATA SYSTEMS, INC. AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF OPERATIONSUnaudited

	Three Months Ended March 31,	
	(As Restated) 2003	(As Restated) 2002
	(Dollars in thousands, except per share amounts)	
OPERATING REVENUES	\$ 807,418	\$ 665,197
OPERATING EXPENSES		
Cost of services and products (exclusive of Depreciation, amortization and accretion expense shown below)	262,398	189,822
Selling, general and administrative expense	336,501	258,109
Depreciation, amortization and accretion expense	151,227	111,899
Loss on assets held for sale	23,500	
	773,626	559,830
OPERATING INCOME	33,792	105,367
INVESTMENT AND OTHER INCOME (EXPENSE)		
Interest and dividend income	4,328	2,067
Investment income	12,750	11,037
Gain (loss) on marketable securities and other investments	(3,500)	(37,400)
Interest expense	(43,357)	(29,624)
Minority interest in income of subsidiary trust	(6,203)	(6,203)
Other income (expense), net	1,159	1,206
	(34,823)	(58,917)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	(1,031)	46,450
Income tax expense	3,824	22,412
INCOME (LOSS) BEFORE MINORITY INTEREST	(4,855)	24,038
Minority Share of Income	(157)	(10,028)
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	(5,012)	14,010
Cumulative effect of accounting changes, net of tax and minority interest	(11,789)	3,366

Unaudited

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NET INCOME (LOSS)		(16,801)		17,376
Preferred Dividend Requirement		(104)		(112)
NET INCOME (LOSS) AVAILABLE TO COMMON	\$	(16,905)	\$	17,264
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING (000s)				
		58,594		58,600
BASIC EARNINGS PER SHARE (Note 7)				
Income (Loss) Before Cumulative Effect of Accounting Changes	\$	(0.09)	\$	0.23
Cumulative Effect of Accounting Changes		(0.20)		0.06
Net income (loss) available to common		(0.29)		0.29
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING (000s)				
		58,594		58,888
DILUTED EARNINGS PER SHARE (Note 7)				
Income (Loss) Before Cumulative Effect of Accounting Changes	\$	(0.09)	\$	0.23
Cumulative Effect of Accounting Changes		(0.20)		0.06
Net income (loss) available to common		(0.29)		0.29
DIVIDENDS PER SHARE				
	\$.155	\$.145

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

TELEPHONE AND DATA SYSTEMS, INC. AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF CASH FLOWSUnaudited

	Three Months Ended March 31,	
	(As Restated) 2003	(As Restated) 2002
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before cumulative effect of accounting change	\$ (5,012)	\$ 14,010
Add (Deduct) adjustments to reconcile income (loss) to net cash provided by operating activities		
Depreciation, amortization and accretion	151,227	111,899
Deferred taxes	2,113	(5,572)
Investment income	(12,750)	(11,037)
Minority share of income	157	10,028
Loss on assets of operations held-for-sale	23,500	
(Gain) loss on marketable securities and other investments	3,500	37,400
Noncash interest expense	6,752	2,293
Other noncash expense	3,164	4,055
Changes in assets and liabilities		
Change in accounts receivable	107,721	23,071
Change in materials and supplies	(21,865)	23,671
Change in accounts payable	(48,761)	(37,826)
Change in advanced billings and customer deposits	7,079	4,349
Change in accrued taxes	7,047	25,989
Change in other assets and liabilities	(47,958)	(19,237)
	175,914	183,093
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(161,383)	(128,328)
Acquisitions, net of cash acquired		(17,050)
Increase in notes receivable	(7)	(1,653)
Distributions from unconsolidated entities	13,615	4,139
Investments in and advances to unconsolidated entities	(1,493)	(861)
Other investing activities	(2,136)	(3,772)
	(151,404)	(147,525)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in notes payable	72,000	(31,000)

Unaudited

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Issuance of long-term debt	450	610
Repayments of long-term debt	(4,729)	(4,183)
Prepayment of long-term notes	(40,680)	(51,000)
Repurchase of TDS Common Shares	(24,587)	
Dividends paid	(9,202)	(8,617)
Other financing activities	(784)	(1,287)
	(7,532)	(95,477)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,978	(59,909)
CASH AND CASH EQUIVALENTS -		
Beginning of period	1,298,936	140,744
End of period	\$ 1,315,914	\$ 80,835

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

TELEPHONE AND DATA SYSTEMS, INC. AND SUBSIDIARIESCONSOLIDATED BALANCE SHEETSASSETSUnaudited

	(As Restated) March 31, 2003	December 31, 2002
(Dollars in thousands)		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,315,914	\$ 1,298,936
Accounts receivable		
Due from customers, less allowance of \$ 25,615 and \$24,627, respectively	227,389	272,997
Other, principally connecting companies, less allowance of \$11,109 and \$15,848, respectively	139,890	175,036
Federal income tax receivable		40,000
Materials and supplies, at average cost	92,892	72,441
Collateral investment pledged (Note 8)	32,200	
Other current assets	99,127	88,602
	1,907,412	1,948,012
INVESTMENTS		
Marketable equity securities	1,676,892	1,944,939
Marketable equity securities - loaned	30,610	
Wireless license costs	979,760	1,038,556
Goodwill	1,008,596	1,106,451
Customer lists, net of accumulated amortization of \$11,055 and \$6,567, respectively	35,599	40,087
Investments in unconsolidated entities	206,624	205,995
Notes receivable, less valuation allowance of \$55,144 and \$55,144, respectively	6,568	7,287
Other investments	15,183	14,914
	3,959,832	4,358,229
PROPERTY, PLANT AND EQUIPMENT, NET		
U.S. Cellular	2,128,360	2,148,432
TDS Telecom	1,056,056	1,047,811
	3,184,416	3,196,243
OTHER ASSETS AND DEFERRED CHARGES		
Derivative asset	192,899	2,630

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Other	99,414	96,914
	292,313	99,544
ASSETS OF OPERATIONS HELD-FOR-SALE	226,422	
TOTAL ASSETS	\$ 9,570,395	\$ 9,602,028

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

TELEPHONE AND DATA SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

Unaudited

	(As Restated) March 31, 2003	December 31, 2002
	(Dollars in thousands)	
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 19,267	\$ 64,482
Notes payable	533,792	461,792
Accounts payable	310,679	361,758
Advance billings and customer deposits	100,255	95,922
Accrued interest	21,860	31,751
Accrued taxes	40,488	34,413
Accrued compensation	38,961	