

UNITED STATES CELLULAR CORP  
Form 10-Q  
August 06, 2009  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2009

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 1-9712

**UNITED STATES CELLULAR CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**62-1147325**  
(I.R.S. Employer Identification No.)

**8410 West Bryn Mawr, Suite 700, Chicago, Illinois 60631**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(773) 399-8900**

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   
(Do not check if a smaller reporting company)

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, 2009
Common Shares, \$1 par value	53,865,256 Shares
Series A Common Shares, \$1 par value	33,005,877 Shares

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**United States Cellular Corporation**

**Quarterly Report on Form 10-Q**

**For the Period Ended June 30, 2009**

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Signatures

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Dollars and shares in thousands, except per share amounts)			
<b>Operating revenues</b>				
Service	\$ 974,755	\$ 987,352	\$ 1,956,629	\$ 1,949,446
Equipment sales	67,795	73,240	138,685	149,002
Total operating revenues	1,042,550	1,060,592	2,095,314	2,098,448
<b>Operating expenses</b>				
System operations (excluding Depreciation, amortization and accretion reported below)	194,806	196,652	394,809	387,668
Cost of equipment sold	156,055	176,145	341,756	354,190
Selling, general and administrative (including charges from affiliates of \$26.2 million and \$26.4 million, respectively, for the three months, and \$54.9 million and \$54.9 million, respectively, for the six months)	410,070	418,416	822,518	822,042
Depreciation, amortization and accretion	138,614	145,258	276,265	287,788
Loss on asset disposals, net	2,086	6,219	4,277	9,892
Total operating expenses	901,631	942,690	1,839,625	1,861,580
<b>Operating income</b>	140,919	117,902	255,689	236,868
<b>Investment and other income (expense)</b>				
Equity in earnings of unconsolidated entities	24,794	22,807	50,121	44,042
Interest and dividend income	751	1,429	1,228	3,334
Interest expense	(19,387)	(20,774)	(38,409)	(40,889)
Other, net	(2)	600	278	718
Total investment and other income (expense)	6,156	4,062	13,218	7,205
<b>Income before income taxes</b>	147,075	121,964	268,907	244,073
Income tax expense	57,748	44,016	88,980	91,556
<b>Net income</b>	89,327	77,948	179,927	152,517
Less: Net income attributable to noncontrolling interests, net of tax	(5,969)	(5,346)	(11,977)	(9,358)
<b>Net income attributable to U.S. Cellular</b>	\$ 83,358	\$ 72,602	\$ 167,950	\$ 143,159

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<b>Basic weighted average shares outstanding</b>		86,992		87,571		87,093		87,571
<b>Basic earnings per share attributable to U.S. Cellular shareholders</b>	\$	0.96	\$	0.83	\$	1.93	\$	1.63
<b>Diluted weighted average shares outstanding</b>		87,177		87,872		87,308		87,963
<b>Diluted earnings per share attributable to U.S. Cellular shareholders</b>	\$	0.96	\$	0.83	\$	1.92	\$	1.63

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

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## United States Cellular Corporation

Consolidated Statement of Cash Flows(Unaudited)

	Six Months Ended June 30,	
	2009	2008
	(Dollars in thousands)	
<b>Cash flows from operating activities</b>		
Net income	\$ 179,927	\$ 152,517
Add (deduct) adjustments to reconcile net income to net cash flows from operating activities		
Depreciation, amortization and accretion	276,265	287,788
Bad debts expense	39,028	32,426
Stock-based compensation expense	7,974	6,481
Deferred income taxes, net	19,604	27,231
Equity in earnings of unconsolidated entities	(50,121)	(44,042)
Distributions from unconsolidated entities	12,997	45,569
Loss on asset disposals, net	4,277	9,892
Excess tax benefit from stock awards	(4)	(896)
Noncash interest expense	1,213	886
Changes in assets and liabilities from operations		
Accounts receivable	(63,510)	(50,059)
Inventory	(10,391)	(19,816)
Accounts payable - trade	(41,378)	2,838
Accounts payable - affiliate	4,137	171
Customer deposits and deferred revenues	(5,372)	10,406
Accrued taxes	64,851	1,471
Accrued interest	450	455
Other assets and liabilities	(66,824)	(36,486)
	373,123	426,832
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(228,902)	(249,500)
Cash received from divestitures	50	6,838
Cash paid for acquisitions and licenses	(12,327)	(312,615)
Other investing activities	1,107	(1,215)
	(240,072)	(556,492)
<b>Cash flows from financing activities</b>		
Issuance of notes payable		100,000
Repayment of notes payable		(50,000)
Common shares reissued for benefit plans, net of tax payments	(405)	(1,878)
Common shares repurchased	(19,332)	(14,516)
Excess tax benefit from stock awards	4	896
Payment of debt issuance costs	(4,309)	
Distributions to noncontrolling interests	(4,060)	(6,022)
Other financing activities	(25)	(2,198)
	(28,127)	26,282

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<b>Net increase (decrease) in cash and cash equivalents</b>	104,924	(103,378)
<b>Cash and cash equivalents</b>		
Beginning of period	170,996	204,533
End of period	\$ 275,920	\$ 101,155

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



Table of Contents**United States Cellular Corporation****Consolidated Balance Sheet Assets**

	June 30, 2009 (Unaudited)	December 31, 2008
	(Dollars in thousands)	
<b>Current assets</b>		
Cash and cash equivalents	\$ 275,920	\$ 170,996
Accounts receivable		
Customers, less allowances of \$8,383 and \$8,222, respectively	344,812	330,390
Roaming	30,411	34,841
Affiliated	2,545	1,579
Other, less allowances of \$313 and \$150, respectively	69,753	52,809
Inventory	125,578	116,564
Prepaid income taxes		22,515
Prepaid expenses	49,040	51,645
Net deferred income tax asset	19,481	19,481
Other current assets	54,705	14,227
	972,245	815,047
<b>Investments</b>		
Licenses	1,445,501	1,433,415
Goodwill	494,737	494,279
Customer lists, net of accumulated amortization of \$90,447 and \$87,976, respectively	6,465	8,936
Investments in unconsolidated entities	192,445	156,637
Notes and interest receivable long-term	4,231	4,297
	2,143,379	2,097,564
<b>Property, plant and equipment</b>		
In service and under construction	5,602,245	5,884,383
Less: accumulated depreciation	3,024,243	3,264,007
	2,578,002	2,620,376
<b>Other assets and deferred charges</b>		
	37,621	33,055
<b>Total assets</b>	<b>\$ 5,731,247</b>	<b>\$ 5,566,042</b>

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

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## United States Cellular Corporation

Consolidated Balance Sheet - Liabilities and Shareholders' Equity

	June 30, 2009 (Unaudited)	December 31, 2008
	(Dollars in thousands)	
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 10,088	\$ 10,258
Accounts payable		
Affiliated	13,750	9,613
Trade	210,826	248,785
Customer deposits and deferred revenues	145,710	151,082
Accrued taxes	58,433	17,643
Accrued compensation	41,976	55,969
Other current liabilities	91,149	108,533
	571,932	601,883
<b>Deferred liabilities and credits</b>		
Net deferred income tax liability	498,823	478,106
Other deferred liabilities and credits	243,258	233,619
	742,081	711,725
<b>Long-term debt</b>	997,651	996,636
<b>Commitments and contingencies</b>		
<b>Noncontrolling interests with mandatory redemption features</b>	640	589
<b>Equity</b>		
U.S. Cellular shareholders' equity		
Common Shares, par value \$1 per share; authorized 140,000,000 shares; issued 55,068,000 shares	55,068	55,068
Series A Common Shares, par value \$1 per share; authorized 50,000,000 shares; issued and outstanding 33,006,000 shares	33,006	33,006
Additional paid-in capital	1,348,664	1,340,146
Treasury shares, at cost, 1,203,000 and 794,000 Common Shares, respectively	(60,104)	(50,258)
Retained earnings	1,985,876	1,828,680
Total U.S. Cellular shareholders' equity	3,362,510	3,206,642
Noncontrolling interests	56,433	48,567
Total equity	3,418,943	3,255,209
<b>Total liabilities and equity</b>	\$ 5,731,247	\$ 5,566,042

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



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## United States Cellular Corporation

## Consolidated Statement of Changes in Equity

(Unaudited)

(Dollars in thousands)	Common Shares	Series A Common Shares	U.S. Cellular Shareholders Additional Paid-In Capital	Treasury Shares	Retained Earnings	Total Shareholders Equity	Noncontrolling Interests	Total Equity
<b>Balance, December 31, 2008</b>	<b>\$ 55,068</b>	<b>\$ 33,006</b>	<b>\$ 1,340,146</b>	<b>\$ (50,258)</b>	<b>\$ 1,828,680</b>	<b>\$ 3,206,642</b>	<b>\$ 48,567</b>	<b>\$ 3,255,209</b>
Add (Deduct)								
Net income excluding portion attributable to noncontrolling interests with mandatory redemption features					167,950	167,950		