

UNITED STATES CELLULAR CORP  
Form DEF 14A  
April 15, 2009

QuickLinks -- Click here to rapidly navigate through this document

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**United States Cellular Corporation**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:

Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

**UNITED STATES CELLULAR CORPORATION**

8410 West Bryn Mawr Avenue  
Suite 700  
Chicago, Illinois 60631  
Phone: (773) 399-8900  
Fax: (773) 399-8936

April 15, 2009

**TO OUR SHAREHOLDERS**

United States Cellular Corporation is the fifth-largest full-service wireless service provider in the United States. Operating on a customer satisfaction strategy, U.S. Cellular® drives customer engagement by providing a comprehensive range of wireless services and products, superior customer support and a high-quality network.

**2008 Overview**

U.S. Cellular achieved solid results in 2008, despite pressure from the widespread economic downturn, a more mature wireless market, and competition from increasingly large national providers. U.S. Cellular ended the year with 6.2 million total customers. Ninety-five percent of the company's retail customers are in the target postpay segment.

Although the number of people who do not yet have a wireless phone continues to decline, more are using multiple wireless devices: for business and personal use, and for primarily data use, such as laptops and netbooks. U.S. Cellular is implementing strategies designed to drive deeper and longer customer engagement, generate greater revenue from existing customers, and attract customers seeking a high-quality wireless experience. In particular, U.S. Cellular is building on its very strong network quality and superior customer service to deliver high-quality wireless voice and data experiences.

U.S. Cellular drove data growth with its robust portfolio of voice- and data-enabled handsets, including smart phones and premium touch screen phones, which in turn propelled growth of complementary data plans and applications, including the company's popular new Mobile Internet plans. To support both current and future data needs, U.S. Cellular expanded its 3G/Evolution Data Optimized (EVDO) network to cell sites in key markets during the year.

These complementary initiatives, along with customers' increased use of text and picture messaging services, drove a significant increase in data revenues and ARPU, which in turn increased service revenues for the year.

**Connecting Customers with U.S. Cellular**

In June of 2008, U.S. Cellular rolled out a new marketing and brand positioning initiative to define its unique qualities and benefits for customers, and to thereby forge stronger customer relationships. In its retail and sales environments, marketing materials, and advertising, U.S. Cellular encourages its existing and potential customers to "Believe in Something Better " to believe in a unique wireless company that shares their values and understands their needs.

U.S. Cellular is backing up its market positioning with services and features that demonstrate its commitment to providing a superior wireless experience, such as free incoming calls, free storage of customer contacts (My Contacts Backup), early upgrades with no fees, and free plan changes.

**Delivering a Superior Mobile Data Experience**

U.S. Cellular customers can choose from a strong lineup of devices, including BlackBerry® smart phones, and premium touch screen phones from HTC, Samsung, and LG.

---

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

As U.S. Cellular continues to bring more high-demand, data-intensive devices to market, and makes 3G speeds available to much more of its network, the company expects ongoing revenue growth in this area. Smart phone-related ARPU for many customers is nearly twice as high as standard retail postpay ARPU. Thus, the revenue growth potential is considerable, despite a higher upfront smart phone equipment subsidy.

### **Investing for the Future**

U.S. Cellular took important steps in 2008 to ensure that its network supports developing customer needs for technology. The company expanded its 3G network to approximately 23 percent of its cell sites, and intends to bring 3G speeds to at least 60 percent of its cell sites by the end of 2009. The company also continued to add many new cell sites in 2008 financing the expansion in part with Universal Service Fund (USF) disbursements.

These investments enabled U.S. Cellular to maintain its award-winning network quality. J.D. Power and Associates has ranked U.S. Cellular "Highest Call Quality Performance Among Wireless Cell Phone Users in the North Central Region" for seven consecutive reporting periods.

U.S. Cellular, indirectly through its limited partnership interest in King Street Wireless, made strategic investments in spectrum in 2008 through participation in a major Federal Communications Commission (FCC) auction. The company also made several direct spectrum acquisitions. The spectrum covers areas that complement U.S. Cellular's strategic footprint and could help support an eventual transition to 4G/Long-Term Evolution network technology.

At year end, U.S. Cellular was well-positioned for strong future growth, with a total operating market population of 46 million in 26 states.

### **Share Repurchases**

To partially offset dilution from various benefit plans, U.S. Cellular repurchased 600,000 shares in 2008 for \$32.9 million.

### **Government Relations**

Throughout 2008, U.S. Cellular vigorously defended the USF against attempts to reduce or eliminate the support available to competitive wireless carriers. The company continued its Connecting Rural America (CRA) campaign to increase awareness of how proposed changes to the USF would affect access to advanced wireless communications in rural areas. As part of the CRA campaign, U.S. Cellular enlisted more than 100 members of Congress, governors, and state legislators, and numerous public safety and economic development groups, to support its efforts to bring reliable wireless service to rural communities.

The FCC imposed a cap on wireless funding in 2008, but did not otherwise substantively restrict U.S. Cellular's access to the USF support needed to continue to expand its network to rural communities. The company expects that the 2009 regulatory environment for USF will continue to be challenging. U.S. Cellular is committed to continuing to ensure that rural areas of the United States have equal access to advanced wireless telecommunications.

### **Associates**

U.S. Cellular's 8,500 full-time equivalent associates are committed to providing excellent service the foundation of the company's customer satisfaction strategy. In U.S. Cellular's 2008 Culture Survey (performed annually), 99 percent of participating associates agreed that serving customers was their highest priority. The company is equally committed to its associates, and this commitment was reflected in several workplace awards in 2008:

Best Large Company to Work for in Oregon, *Oregon Business* magazine

Best Places to Work in Oklahoma, Second Place, Large Companies Category, *OKCBusiness*

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

Best Places to Work in Omaha, Second Place, Medium Employer Category, Greater Omaha Chamber of Commerce

### Diversity and Inclusion

U.S. Cellular values differences and believes that a diverse and inclusive workforce is critical to business success. Respect for associates and for customers creates an environment motivated by ethics, empowerment, and business performance. The company's diversity and inclusion strategy focuses on five areas: workforce, workplace, marketplace, suppliers, and community.

### Communities

U.S. Cellular focuses on improving the quality of life in the areas where it does business. The company focuses its community efforts on nonprofit organizations serving economically disadvantaged youth, families, and seniors connecting people with opportunities for a better life. Here are just a few of the ways U.S. Cellular has contributed to its communities:

*Calling All Communities* To help offset reductions in school funding across the country, U.S. Cellular introduced its Calling All Communities program in December of 2008. Through this grassroots program, communities large and small cast more than 120,000 votes, nominating more than 6,500 schools to be among the ten to receive \$100,000 each. The program harnessed community spirit and created an opportunity to believe in something better for children's education.

Contributed more than \$4.2 million to schools and nonprofit organizations, including \$1.2 million to the United Way;

Invested in 97 organizations through grants, phone donations, and other philanthropic support;

Approximately 2,200 associates volunteered more than 9,000 hours on 235 projects, a 273 percent increase in volunteer hours from 2007; and

Contributed phones and one year of free service to 42 organizations, and provided emergency phone service for eight midwest and central region organizations during summer flooding.

### LOOKING FORWARD

U.S. Cellular remains committed to adding customers and growing revenues over the long term by providing a high-quality network, competitive services and products, and superior customer service. As part of this long-term strategy, U.S. Cellular is targeting selected customer segments, particularly the postpay consumer and small- to medium-sized commercial segments. To establish a strong organizational foundation for achieving its objective, the company plans to begin several interdependent initiatives in 2009, including:

Developing deeper and more customized relationships with customers at every touch point online, in retail stores, and through the billing system through new customer relationship management and electronic data warehouse systems;

Driving online sales and customer engagement by enhancing the learning, shopping, and support experience at [www.uscellular.com](http://www.uscellular.com);

Promoting flexible pricing and faster service and product implementation by developing a unified billing system platform for all customer segments;

Introducing new services and products more quickly by strengthening service and product development capabilities; and

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

Automating inventory distribution and equipment return, and centralizing repairs for all sales channels, including agents, through a new handset logistics system.

U.S. Cellular will continue to build its portfolio of data services and products in 2009, supported by the ongoing expansion of its 3G network. The company also plans to introduce new and competitive

prepaid offerings, while remaining primarily focused on its retail postpay customers. Although U.S. Cellular expects total roaming revenues to decrease in 2009 as a result of the merger of Verizon and Alltel, its continued growth in cell sites and network quality ensures an attractive voice and data roaming experience for its roaming partners.

Thank you to our dedicated associates for our successes in 2008, and to our shareholders and bondholders for your continued support.

Cordially yours,

John E. Rooney  
President and Chief Executive Officer

LeRoy T. Carlson, Jr.  
Chairman  
iv

---

**UNITED STATES CELLULAR CORPORATION**

8410 West Bryn Mawr Avenue  
Suite 700  
Chicago, Illinois 60631  
Phone: (773) 399-8900  
Fax: (773) 399-8936

April 15, 2009

Dear Fellow Shareholders:

You are cordially invited to attend our 2009 annual meeting on Tuesday, May 19, 2009, at 8:30 a.m., Chicago time, at the Renaissance Chicago O'Hare Suites Hotel, 8500 W. Bryn Mawr Avenue, Chicago, Illinois. At the meeting, we will report on the plans and accomplishments of United States Cellular Corporation.

The formal notice of the meeting and our board of directors' proxy statement are enclosed. Appendix I to the proxy statement contains audited financial statements and certain other financial information for the year ended December 31, 2008, as required by the rules and regulations of the Securities and Exchange Commission ("SEC"). At the 2009 annual meeting, shareholders are being asked to take the following actions:

1. elect three Class I directors nominated by the U.S. Cellular board of directors and named in the attached proxy statement;
2. consider and approve an amended Non-Employee Director Compensation Plan, as more fully described in the accompanying proxy statement;
3. consider and approve U.S. Cellular's 2005 Long-Term Incentive Plan, as amended, as more fully described in the accompanying proxy statement; and
4. ratify the selection of independent registered public accountants for the current fiscal year.

The board of directors recommends a vote "**FOR**" its nominees for election as directors, "**FOR**" the proposal to approve an amended Non-Employee Director Compensation Plan, "**FOR**" the proposal to approve U.S. Cellular's 2005 Long-Term Incentive Plan, as amended, and "**FOR**" the proposal to ratify accountants.

Our board of directors and members of our management team will be at the annual meeting to meet with you and discuss our record of achievement and plans for the future. Your vote is important. Therefore, please sign and return the enclosed proxy card, whether or not you plan to attend the meeting.

We look forward to visiting with you at the annual meeting.

Very truly yours,

LeRoy T. Carlson, Jr.  
Chairman

John E. Rooney  
President and Chief Executive Officer



**Please sign and return the enclosed proxy card(s) promptly or  
vote on the Internet using the instructions on the proxy card**

---

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT  
AND  
IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 19, 2009**

TO THE SHAREHOLDERS OF

**UNITED STATES CELLULAR CORPORATION**

We will hold the 2009 annual meeting of the shareholders of United States Cellular Corporation ("U.S. Cellular") (New York Stock Exchange symbol: "USM"), a Delaware corporation, at the Renaissance Chicago O'Hare Suites Hotel, 8500 W. Bryn Mawr Avenue, Chicago, Illinois, on Tuesday, May 19, 2009, at 8:30 a.m., Chicago time. At the meeting, we are asking shareholders to take the following actions:

1. To elect three Class I members of the board of directors nominated by the U.S. Cellular board of directors and named in the attached proxy statement. Your board of directors recommends that you vote **FOR** its nominees for Class I directors.
2. To consider and approve an amended Non-Employee Director Compensation Plan, as more fully described in the accompanying proxy statement. Your board of directors recommends that you vote **FOR** this proposal.
3. To consider and approve U.S. Cellular's 2005 Long-Term Incentive Plan, as amended, as more fully described in the accompanying proxy statement. Your board of directors recommends that you vote **FOR** this proposal.
4. To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for the year ending December 31, 2009. Your board of directors recommends that you vote **FOR** this proposal.
5. To transact such other business as may properly come before the meeting or any adjournments thereof.

We are first sending this notice of annual meeting of shareholders and Proxy Statement to you on or about April 15, 2009.

We have fixed the close of business on March 30, 2009 as the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

The following additional information is being provided as required by SEC rules:

**The proxy statement and annual report to shareholders are available at [www.uscellular.com](http://www.uscellular.com) under Investor Relations Proxy Vote, or at [www.uscellular.com/investor/2009proxy](http://www.uscellular.com/investor/2009proxy).**

The following items have been posted to this Web site:

1. Proxy Statement for the 2009 Annual Meeting
2. Annual Report to Shareholders for 2008 (included as an appendix to the Proxy Statement for the 2009 Annual Meeting)
3. Form of Proxy Card

Any control/identification numbers that you need to vote are set forth on your proxy card if you are a record holder, or on your voting instruction card if you hold shares through a broker, dealer or bank.

Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

The location where the annual meeting will be held is the Renaissance Chicago O'Hare Suites Hotel. This hotel is located in Chicago, Illinois at 8500 W. Bryn Mawr Avenue, just south of Interstate 90 and approximately one block west of Cumberland Avenue.

---

## VOTING INFORMATION

### What is the record date for the meeting?

The close of business March 30, 2009 is the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

A complete list of shareholders entitled to vote at the annual meeting, arranged in alphabetical order and by voting group, showing the address of and number of shares held by each shareholder, will be kept open at the offices of U.S. Cellular, 8410 West Bryn Mawr Avenue, Suite 700, Chicago, Illinois 60631, for examination by any shareholder during normal business hours, for a period of at least ten days prior to the annual meeting.

### What shares of stock entitle holders to vote at the meeting?

We have the following classes or series of stock outstanding, each of which entitles holders to vote at the meeting:

Common Shares; and

Series A Common Shares.

The Common Shares are listed on the New York Stock Exchange under the symbol "USM."

No public market exists for the Series A Common Shares, but the Series A Common Shares are convertible on a share-for-share basis into Common Shares.

On March 30, 2009, U.S. Cellular had outstanding 53,913,230 Common Shares, par value \$1.00 per share (excluding 1,154,989 shares held by U.S. Cellular and a subsidiary of U.S. Cellular), and 33,005,877 Series A Common Shares, par value \$1.00 per share. As of March 30, 2009, no shares of Preferred Stock, par value \$1.00 per share, of U.S. Cellular were outstanding.

Telephone and Data Systems, Inc., a Delaware corporation (New York Stock Exchange Listing Symbols TDS and TDS.S), which we refer to as "TDS", is the sole holder of Series A Common Shares and holds 37,782,826 Common Shares, representing approximately 70.1% of the outstanding Common Shares. By reason of such holdings, TDS has the voting power to elect all the directors of U.S. Cellular and has approximately 95.8% of the voting power with respect to matters other than the election of directors.

### What is the voting power of the outstanding shares in the election of directors?

The following shows certain information relating to the outstanding shares and voting power of such shares in the election of directors as of the record date:

Class or Series of Common Stock	Outstanding Shares	Votes per Share	Voting Power	Number of Directors Elected by Class or Series	Number of Directors Standing for Election
Series A Common Shares	33,005,877	10	330,058,770	6	2
Common Shares	53,913,230	1	53,913,230	3	1
Total				9	3

**What is the voting power of the outstanding shares in matters other than the election of directors?**

The following shows certain information relating to the outstanding shares and voting power of such shares in matters other than the election of directors as of the record date:

<b>Class or Series of Common Stock</b>	<b>Outstanding Shares</b>	<b>Votes per Share</b>	<b>Total Voting Power</b>	<b>Percent</b>
Series A Common Shares	33,005,877	10	330,058,770	86.0%
Common Shares	53,913,230	1	53,913,230	14.0%
Total			383,972,000	100.0%

**How may shareholders vote in the election of directors in Proposal 1?**

Holders of Common Shares may, with respect to the election of the one Class I director to be elected by the holders of Common Shares, vote FOR the election of such director nominee or WITHHOLD authority to vote for such director nominee.

TDS, as the sole holder of Series A Common Shares may, with respect to the election of the two Class I directors to be elected by the holder of Series A Common Shares, vote FOR the election of such director nominees or WITHHOLD authority to vote for such director nominees.

The board of directors recommends a vote **FOR** its nominees.

TDS has advised U.S. Cellular that it intends to vote FOR the board of directors' nominees for election as Class I directors.

**How may shareholders vote with respect to the amended Non-Employee Director Compensation Plan in Proposal 2?**

Shareholders may, with respect to the proposal to approve the amended Non-Employee Director Compensation Plan:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

The board of directors recommends a vote **FOR** this proposal.

TDS has advised U.S. Cellular that it intends to vote FOR the approval of the amended Non-Employee Director Compensation Plan.

**How may shareholders vote with respect to U.S. Cellular's 2005 Long-Term Incentive Plan, as amended, in Proposal 3?**

Shareholders may, with respect to the proposal to approve U.S. Cellular's 2005 Long-Term Incentive Plan, as amended:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

The board of directors recommends a vote **FOR** this proposal.

TDS has advised U.S. Cellular that it intends to vote FOR the approval of U.S. Cellular's 2005 Long-Term Incentive Plan, as amended.

**How may shareholders vote with respect to Proposal 4?**

With respect to the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2009, shareholders may:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on the proposal.

The board of directors recommends a vote **FOR** this proposal.

TDS has advised U.S. Cellular that it intends to vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as independent registered public accounting firm.

**How do I vote?**

Proxies are being requested from the holders of Common Shares in connection with the election of one Class I director, the approval of the amended Non-Employee Director Plan, the approval of U.S. Cellular's 2005 Long-Term Incentive Plan, as amended, and the ratification of independent registered public accountants. Whether or not you plan to attend the meeting, please sign and mail your proxy in the enclosed self-addressed envelope to Proxy Services, c/o Computershare Investor Services, P.O. Box 43126, Providence, Rhode Island 02940-5138. You have the power to revoke your proxy at any time before it is voted, and the giving of a proxy will not affect your right to vote in person if you attend the annual meeting.

**How will proxies be voted?**

All properly executed and unrevoked proxies received in the accompanying form in time for the 2009 annual meeting will be voted in the manner directed on the proxies.

If no direction is made, a proxy by any shareholder will be voted FOR the election of the named director nominee to serve as a Class I director, FOR the proposal to approve the amended Non-Employee Director Compensation Plan, FOR the approval of U.S. Cellular's 2005 Long-Term Incentive Plan, as amended, and FOR the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for 2009.

If a proxy indicates that all or a portion of the votes represented by such proxy are not being voted with respect to a particular matter, such non-votes will not be considered present and entitled to vote on such matter. However, the shares represented by such proxies may be considered present and entitled to vote on other matters and will count for purposes of determining the presence of a quorum.

Because the board of directors has no knowledge of any other proposals to be presented at the 2009 annual meeting and because no other proposals were received by U.S. Cellular by the date specified by the advance notice provision in U.S. Cellular's Bylaws, the proxy solicited by the board of directors for the 2009 annual meeting confers discretionary authority to vote on any matter that may properly come before such meeting or any adjournment, postponement, continuation or rescheduling thereof, other than the foregoing proposals.

**How will my shares be voted if I own shares through a broker?**

If you are the beneficial owner of shares held in "street name" by a broker, bank, or other nominee ("broker"), such broker, as the record holder of the shares, is required to vote those shares in accordance with your instructions. If you do not give instructions to the broker, under Rule 452 of the New York Stock Exchange, depending on the timing of certain actions, the nominee may be entitled to vote the shares with respect to "discretionary" items but will not be permitted to vote the shares with respect to "non-discretionary" items (in which case such shares will be treated as "broker non-votes"). In addition, whether the broker can or will vote your shares if you do not give instructions to the broker and how such shares may be voted by the broker (i.e., proportionately with voting instructions received by the broker from other shareholders or pursuant to the recommendation of management) depends on





the particular broker's policies. Accordingly, we cannot advise you whether your broker will or will not vote your shares or how it may vote the shares if it does not receive voting instructions from you and recommend that you contact your broker. In general, an uncontested election of directors and the ratification of auditors are discretionary items. On the other hand, a contested director election, the approval of an equity compensation plan and shareholder proposals are non-discretionary items. In such case, if you do not give your broker specific instructions, your shares may be treated as "broker non-votes" and may not be voted on these matters. Accordingly, we urge you to provide instructions to your broker so that your votes may be counted on all matters. If your shares are held in street name, your broker will include a voting instruction card with this proxy statement. We strongly encourage you to vote your shares by following the instructions provided on the voting instruction card. Please return your voting instruction card to your broker and/or contact your broker to ensure that a proxy card is voted on your behalf.

**What constitutes a quorum for the meeting?**

In the election of directors, where a separate vote by a class or voting group is required, the holders of a majority of the votes of the stock of such class or voting group, present in person or represented by proxy, will constitute a quorum entitled to take action with respect to that vote on that matter. Withheld votes by shares entitled to vote with respect to a director and broker "non-votes" with respect to such director will be treated as present in person or represented by proxy for purposes of establishing a quorum for the election of such director. If shares beneficially owned by TDS are present in person or represented by proxy at the annual meeting, such shares will constitute a quorum at the annual meeting with respect to directors elected by the Series A Common Shares and with respect to directors elected by the Common Shares.

The holders of a majority of the votes of the stock issued and outstanding and entitled to vote with respect to each of the other proposals, present in person or represented by proxy, will constitute a quorum at the annual meeting in connection with each of such other proposals. Abstentions from voting on such proposals by shares entitled to vote on such proposals and broker "non-votes" with respect to such proposals will be treated as present in person or represented by proxy for purposes of establishing a quorum for such proposals. If shares beneficially owned by TDS are present in person or represented by proxy at the annual meeting, such shares will constitute a quorum at the annual meeting in connection with such proposals.

**What vote is required for the election of directors in Proposal 1?**

The election of directors requires the affirmative vote of a plurality of the voting power of the shares present in person or represented by proxy and entitled to vote on such matter at the annual meeting. Accordingly, if a quorum of such shares is present at the annual meeting, the person receiving a plurality of the votes of the holders of such shares entitled to vote with respect to the election of such director will be elected to serve as a director. Because the election of each director requires only the affirmative vote of a plurality of the shares present in person or represented by proxy and entitled to vote with respect to such matter, withholding authority to vote for the nominee and broker non-votes with respect to the election of the directors will not affect the outcome of the election of the directors.

**What vote is required with respect to Proposals 2 and 3?**

If a quorum is present at the annual meeting, the proposals to approve the amended Non-Employee Director Compensation Plan and to approve U.S. Cellular's 2005 Long-Term Incentive Plan, as amended will require the affirmative vote of a majority of the voting power of the Common Shares and Series A Common Shares voting together and present in person or represented by proxy and entitled to vote on such matter at the annual meeting. A vote to abstain from voting on such proposals will be treated as a vote against such proposals. Broker non-votes with respect to such proposals will not affect the determination of whether such proposals are approved.

In addition, under New York Stock Exchange rules, the total votes cast on Proposals 2 and 3 must represent over 50% of the voting power of the total outstanding shares of stock entitled to vote on the

matter. Because the voting power of TDS represents over 50% of the voting power of the total outstanding shares of stock entitled to vote on the matter, this requirement will be satisfied by TDS casting its votes.

**What vote is required with respect to Proposal 4?**

If a quorum is present at the annual meeting, the proposal to ratify independent registered public accountants will require the affirmative vote of a majority of the voting power of the Common Shares and Series A Common Shares voting together and present in person or represented by proxy and entitled to vote on such matter at the annual meeting. A vote to abstain from voting on such proposal will be treated as a vote against such proposal. Broker non-votes with respect to such proposal will not affect the determination of whether such proposal is approved.

**PROPOSAL 1  
ELECTION OF DIRECTORS**

The nominees for election as Class I directors are identified in the table below. Each of the nominees has consented to be named in the proxy statement and consented to serve if elected. In the event any such nominee fails to stand for election, the persons named in the proxy presently intend to vote for a substitute nominee if one is designated by the board of directors.

**Nominees**

The following persons, if elected at the 2009 annual meeting of shareholders, will serve as Class I directors until the 2012 annual meeting of shareholders, or until their successors are elected and qualified:

**Class I Directors Terms Scheduled to Expire in 2009**

The following persons are current Class I directors whose terms expire at the 2009 annual meeting of shareholders:

**Elected by Holders of Common Shares**

Name	Age	Position with U.S. Cellular and Principal Occupation	Served as Director since
Harry J. Harczak, Jr.	52	Director of U.S. Cellular and Private Investor	2003

**Elected by Holder of Series A Common Shares**

Name	Age	Position with U.S. Cellular and Principal Occupation	Served as Director since
LeRoy T. Carlson	92	Director of U.S. Cellular and Chairman Emeritus of TDS	1987
John E. Rooney	66	Director and President and Chief Executive Officer of U.S. Cellular	2000

**Background of Class I Directors**

**Harry J. Harczak, Jr.** Mr. Harczak is a private investor. Mr. Harczak was an officer of CDW Corporation between 1994 and 2007, where he was successively the chief financial officer, executive vice president of sales and executive vice president. Prior to CDW, Mr. Harczak was a partner at PricewaterhouseCoopers LLP. CDW is a provider of technology products and services and was a public company until it was acquired and became privately held in 2007. Mr. Harczak is a director of Tech Data Corporation (NASDAQ GS: TECD), a distributor of technology products from IT hardware and software producers. Mr. Harczak is a current Class I director who was previously elected by holders of Common Shares.

**LeRoy T. Carlson.** LeRoy T. Carlson was appointed Chairman Emeritus (an executive officer) of TDS in February 2002. Prior to that time, he was the Chairman of TDS for more than five years. Mr. Carlson's term as a member of the TDS board of directors expired at the TDS 2008 annual meeting on May 22, 2008, and Mr. Carlson did not stand for re-election as a TDS director. He became a director emeritus of TDS following the TDS 2008 annual meeting. Mr. Carlson is the father of LeRoy T. Carlson, Jr. and Walter C.D. Carlson. LeRoy T. Carlson is a current Class I director who was previously elected by TDS as the sole holder of Series A Common Shares.

**John E. Rooney.** John E. Rooney has been the President and Chief Executive Officer of U.S. Cellular (an executive officer of U.S. Cellular and deemed to be an executive officer of TDS under SEC rules) for more than five years. Mr. Rooney is currently a director of First Midwest Bancorp, Inc., a

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

diversified financial services company. Mr. Rooney is a current Class I director who was previously elected by TDS as the sole holder of Series A Common Shares.

**The board of directors recommends a vote "FOR" the above nominees.**

The following additional information is provided in connection with the election of directors.

### Other Directors

#### Class II Directors Terms Scheduled to Expire in 2010

The following persons are current Class II directors whose terms expire at the 2010 annual meeting of shareholders:

#### Elected by Holders of Common Shares

Name	Age	Position with U.S. Cellular and Principal Occupation	Served as Director since
Paul-Henri Denuit	74	Director of U.S. Cellular and Private Investor	1988

#### Elected by Holder of Series A Common Shares

Name	Age	Position with U.S. Cellular and Principal Occupation	Served as Director since
Ronald E. Daly	62	Director of U.S. Cellular and Private Investor	2004
Kenneth R. Meyers	55	Director and Chief Accounting Officer of U.S. Cellular and Executive Vice President and Chief Financial Officer of TDS	1999

#### Background of Class II Directors

**Paul-Henri Denuit.** Mr. Denuit is a private investor. Prior to retiring from S.A. Coditel in 2001, Paul-Henri Denuit served as managing director of S.A. Coditel for more than five years. He was also the chairman of its board of directors.

**Ronald E. Daly.** Mr. Daly is a private investor. Mr. Daly was the president and chief executive officer of Océ-USA Holding, Inc. between 2002 and 2004. Océ-USA Holding, Inc. is the North American operations of Netherlands based Océ-N.V., a publicly-held global supplier of high-technology digital document management and delivery solutions. Prior to joining Océ-USA Holding, Inc., Mr. Daly worked for R.R. Donnelley for 38 years, most recently as president of R.R. Donnelley Printing Solutions. Mr. Daly also serves as a director of SuperValu, a major distributor, wholesaler and retailer in the food service industry.

**Kenneth R. Meyers.** Effective January 1, 2007, Kenneth R. Meyers was appointed Executive Vice President and Chief Financial Officer (an executive officer) of TDS, Chief Accounting Officer (an executive officer) of U.S. Cellular and Chief Accounting Officer (an executive officer) of TDS Telecommunications Corporation ("TDS Telecom"), a subsidiary of TDS which operates local telephone companies. Mr. Meyers was also appointed as a director of TDS and TDS Telecom effective January 1, 2007. Prior to that, he was the Executive Vice President Finance, Chief Financial Officer and Treasurer (an executive officer) of U.S. Cellular for more than five years.

Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

**Class III Directors Terms Scheduled to Expire in 2011**

The following persons are current Class III directors whose terms will expire at the 2011 annual meeting of shareholders:

**Elected by Holders of Common Shares**

<b>Name</b>	<b>Age</b>	<b>Position with U.S. Cellular and Principal Occupation</b>	<b>Served as Director since</b>
J. Samuel Crowley	58	Director of U.S. Cellular and Private Investor	1998

**Elected by Holder of Series A Common Shares**

<b>Name</b>	<b>Age</b>	<b>Position with U.S. Cellular and Principal Occupation</b>	<b>Served as Director since</b>
LeRoy T. Carlson, Jr.	62	Chairman and Director of U.S. Cellular and President and Chief Executive Officer of TDS	1984
Walter C.D. Carlson	55	Director of U.S. Cellular, non-executive Chairman of the Board of TDS and Partner, Sidley Austin LLP, Chicago, Illinois	1989

**Background of Class III Directors**

**J. Samuel Crowley.** Mr. Crowley is a private investor. Between 2005 and 2007, he was the chief operating officer of Gold's Gym International, the nation's largest chain of co-ed fitness facilities. Between 2004 and 2005, Mr. Crowley was a private investor. Between 2002 and 2003, Mr. Crowley was Senior Vice President New Ventures at Michaels Stores, Inc., a publicly-held national specialty retail company. Between 2000 and 2002, he was a business strategy consultant with Insider Marketing, a high tech marketing consulting firm. Prior to that, Mr. Crowley was employed by CompUSA, Inc., a national retailer and reseller of personal computers and related products and services, for more than five years, most recently as executive vice president of operations.

**LeRoy T. Carlson, Jr.** LeRoy T. Carlson, Jr., has been the Chairman (an executive officer) of U.S. Cellular, and the President and Chief Executive Officer (an executive officer) of TDS, for more than five years. Mr. Carlson also serves on the board of directors of TDS. He is also a director and Chairman (an executive officer) of TDS Telecom. He is the son of LeRoy T. Carlson and the brother of Walter C.D. Carlson.

**Walter C.D. Carlson.** Walter C.D. Carlson has been a partner of the law firm of Sidley Austin LLP for more than five years and is a member of its executive committee. The law firm of Sidley Austin LLP provides legal services to U.S. Cellular and TDS on a regular basis. See "Certain Relationships and Related Transactions" below. Mr. Carlson does not provide legal services to U.S. Cellular, TDS or their subsidiaries. Mr. Carlson serves on the board of directors of TDS and was elected non-executive Chairman of the Board of TDS in 2002. He is the son of LeRoy T. Carlson and the brother of LeRoy T. Carlson, Jr.

## CORPORATE GOVERNANCE

### Board of Directors

The business and affairs of U.S. Cellular are managed by or under the direction of the board of directors. The board of directors consists of nine members. Holders of Common Shares elect 25% of the directors rounded up to the nearest whole number, or three directors based on a board size of nine directors. TDS, as the sole holder of Series A Common Shares, elects the remaining six directors. As of the record date, TDS has 100% of the voting power in the election of such six directors, approximately 70.1% of the voting power in the election of the remaining three directors and approximately 95.8% of the voting power in all other matters.

U.S. Cellular's Code of Ethics for directors is available on U.S. Cellular's web site, [www.uscellular.com](http://www.uscellular.com), under About Us Investor Relations Corporate Governance Code of Business Conduct and Ethics for Officers and Directors.

### Director Independence and New York Stock Exchange Listing Standards

Prior to September 15, 2008, U.S. Cellular Common Shares were listed on the American Stock Exchange ("AMEX"). In January 2008, the NYSE Euronext, the parent company of the New York Stock Exchange ("NYSE"), entered into an agreement to acquire the AMEX. The NYSE completed such acquisition in October 2008 and continues to operate the AMEX as a separate stock exchange, primarily for smaller capitalization companies. As a result of such events, U.S. Cellular voluntarily transferred the listing of its Common Shares from the AMEX to the NYSE effective September 15, 2008. Accordingly, U.S. Cellular was subject to the listing standards applicable to companies that have equity securities listed on the AMEX prior to September 15, 2008, and became subject to the listing standards applicable to companies which have equity securities listed on the NYSE on and after September 15, 2008. The listing standards of the NYSE are similar in many respects to the listing standards of the AMEX, except that the NYSE includes additional requirements with respect to certain matters.

Under the listing standards of the NYSE, U.S. Cellular is a "controlled company" as such term is defined by the NYSE. U.S. Cellular is a controlled company because over 50% of the voting power of U.S. Cellular is held by TDS. Accordingly, it is exempt from certain listing standards that require listed companies that are not controlled companies to (i) have a board composed of a majority of directors that qualify as independent under the rules of the NYSE, (ii) have a compensation committee composed entirely of directors that qualify as independent under the rules of the NYSE, and (iii) have a nominating/corporate governance committee composed entirely of directors that qualify as independent under the rules of the NYSE.

As a controlled company, U.S. Cellular is required to have at least three directors who qualify as independent to serve on the Audit Committee. The U.S. Cellular Audit Committee has three members: J. Samuel Crowley, Paul-Henri Denuit and Harry J. Harczak, Jr. Such directors must qualify as independent under the NYSE Listed Company Manual, including Section 303A.02(a) and Section 303A.02(b), and Section 303A.06, which incorporates the independence requirements of Section 10A-3 of the Securities Exchange Act of 1934, as amended ("Section 10A-3"). Except as required by listing standards or SEC rule, U.S. Cellular does not have any categorical standards of independence that must be satisfied.

Pursuant to the requirements of the NYSE Listed Company Manual, the U.S. Cellular board of directors affirmatively determined that each member of the Audit Committee has no material relationship with U.S. Cellular, either directly or as a partner, shareholder or officer of an organization that has a relationship with U.S. Cellular, and that each of such persons is independent (pursuant to Section 303A.02(a), Section 303A.02(b) and Section 10A-3) considering all relevant facts and circumstances, including commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, if any.

Such relevant facts and circumstances included the following: None of such persons is an employee or officer of U.S. Cellular, TDS or any other member of the TDS Consolidated Group. None of such persons has any direct or indirect business relationships and/or fee arrangements with the TDS Consolidated Group and none of such persons receives any compensation from the TDS Consolidated

Group except for his services as a director and member of Board committees of U.S. Cellular. None of such persons has any relationship or arrangement with the TDS Consolidated Group other than in his capacity as a director of U.S. Cellular. Each of such persons qualifies as independent under each of the categorical standards in Section 303A.02(b) of the NYSE Listed Company Manual. Each of such persons qualifies as independent under Section 10A-3 because none of such persons receives any compensatory fee from any member of the TDS Consolidated Group and is not an "affiliated person" with respect to any member of the TDS Consolidated Group. None of such persons is an "immediate family member" (as defined by Section 303A.02(b)) of any person who is not independent under Section 303A.02 of the NYSE Listed Company Manual. The only relationship and/or fee arrangement which such persons have with the TDS Consolidated Group are as directors and members of Board committees of U.S. Cellular. In 2007, U.S. Cellular purchased \$276,986 and TDS purchased an additional \$4,636 in products and services from CDW Corporation. Mr. Harczak was an officer and employee of CDW at the time. This interest was not considered to be a direct or indirect material interest to Mr. Harczak at the time. In any event, Mr. Harczak no longer is an officer or employee of CDW.

In addition, Ronald E. Daly would qualify as an independent director under the listing standards of the NYSE. As a result, four of the nine directors, or 44% of the directors, have been determined to qualify or would qualify as independent under the listing standards of the NYSE.

Pursuant to Section 303A.12(a) of the NYSE Listed Company Manual, U.S. Cellular's CEO certified to the NYSE that he was not aware of any violation by the company of NYSE corporate governance listing standards, without qualification, at the time that U.S. Cellular first listed shares on the NYSE on September 15, 2008. U.S. Cellular's CEO is required to provide a similar certification to the NYSE on an annual basis within 30 days after each annual meeting. U.S. Cellular expects that its CEO will file a similar certification without qualification with the NYSE within 30 days after the 2009 annual meeting.

#### **Meetings of Board of Directors**

Our board of directors held five meetings during 2008. Each incumbent director attended at least 75 percent of the total number of meetings of the board of directors (held during 2008 at which time such person was a director) and at least 75 percent of the total number of meetings held by each committee of the board on which such person served (during the periods of 2008 that such person served).

#### **Corporate Governance Guidelines**

Under NYSE listing standards, U.S. Cellular is required to adopt and disclose corporate governance guidelines that address certain specified matters. U.S. Cellular has adopted Corporate Governance Guidelines that address (i) Board structure, (ii) director qualification standards, (iii) director responsibilities, orientation and continuing education, (iv) director compensation, (v) Board resources and access to management and independent advisors, (vi) annual performance evaluation of the Board, (vii) Board committees, (viii) management succession and (ix) periodic review of the guidelines. A copy of such guidelines are available on U.S. Cellular's web site, [www.uscellular.com](http://www.uscellular.com), under About Us Investor Relations Corporate Governance Corporate Governance Guidelines, and is available in print to any shareholder who requests it.

#### **Audit Committee**

The primary function of the Audit Committee is to (a) assist the Board of Directors of U.S. Cellular in its oversight of (1) the integrity of U.S. Cellular's financial statements, (2) U.S. Cellular's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of U.S. Cellular's internal audit function and independent auditors; (b) prepare an audit committee report as required by the rules of the SEC to be included in U.S. Cellular's annual proxy statement and (c) perform such other functions as set forth in the U.S. Cellular Audit Committee charter, which shall be deemed to include the duties and responsibilities set forth in Section 10A-3. A copy of U.S. Cellular's Audit Committee charter is available on U.S. Cellular's web site, [www.uscellular.com](http://www.uscellular.com), under About Us Investor Relations Corporate Governance Audit Comm. Charter, and is available in print to any shareholder who requests it.

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

The Audit Committee is currently composed of three members who qualify as independent under NYSE listing standards, including Section 10A-3, as discussed above. The current members of the Audit Committee are J. Samuel Crowley (chairperson), Paul-Henri Denuit and Harry J. Harczak, Jr. The board of directors has determined that each of the members of the Audit Committee is financially literate and has "accounting or related financial management expertise" pursuant to listing standards of the NYSE.

In addition, although Mr. Harczak previously was an executive officer of CDW Corporation, which provides products and services to U.S. Cellular and its affiliates, this interest was not considered to be a direct or indirect material interest to Mr. Harczak under SEC rules. Nevertheless, U.S. Cellular has elected to disclose the dollar amount of such products and services in this proxy statement. As set forth above under "Election of Directors," U.S. Cellular purchased \$276,986 and TDS purchased an additional \$4,636 in products and services from CDW in 2007, the last year during which Mr. Harczak served as an executive officer of CDW.

The board has made a determination that Harry J. Harczak, Jr. is an "audit committee financial expert" as such term is defined by the SEC.

In accordance with the SEC's safe harbor rule for "audit committee financial experts," no member designated as an audit committee financial expert shall (i) be deemed an "expert" for any other purpose or (ii) have any duty, obligation or liability that is greater than the duties, obligations and liability imposed on a member of the board or the audit committee not so designated. Additionally, the designation of a member or members as an "audit committee financial expert" shall in no way affect the duties, obligations or liability of any member of the audit committee, or the board, not so designated.

The Audit Committee held ten meetings during 2008.

### *Pre-Approval Procedures*

The Audit Committee adopted a policy, effective May 6, 2003, as amended as of February 17, 2004 and November 1, 2005, pursuant to which all audit and non-audit services provided by U.S. Cellular's principal independent registered public accounting firm must be pre-approved by the Audit Committee. Under no circumstances may U.S. Cellular's principal independent registered public accounting firm provide services that are prohibited by the Sarbanes Oxley Act of 2002 or rules issued thereunder. Non-prohibited audit related services and certain tax and other services may be provided to U.S. Cellular, subject to such pre-approval process and prohibitions. The Audit Committee has delegated to the chairperson of the Audit Committee the authority to pre-approve services by the independent registered public accountants and to report such approvals to the full Audit Committee at each of its regularly scheduled meetings. The pre-approval policy relates to all services provided by U.S. Cellular's principal independent registered public accounting firm and does not include any de minimis exception.

### *Review, approval or ratification of transactions with related persons*

The Audit Committee Charter provides that the Audit Committee shall "be responsible for the review and oversight of all related-party transactions, as such term is defined by the rules of the New York Stock Exchange." Related party transactions are addressed in Sections 307.00 and 314.00 of the NYSE Listed Company Manual.

Section 314.00 of the NYSE Listed Company Manual states that "Related party transactions normally include transactions between officers, directors, and principal shareholders and the company." In general, "related party transactions" would include transactions required to be disclosed in U.S. Cellular's proxy statement pursuant to Item 404 of Regulation S-K of the SEC. Pursuant to Item 404, U.S. Cellular is required to disclose any transaction, which includes any financial transaction, arrangement, or relationship (including any indebtedness or guarantee of indebtedness) or a series of transactions, that has taken place since the beginning of U.S. Cellular's last fiscal year or any currently proposed transaction in which: 1. U.S. Cellular was or is to be a participant, 2. the amount involved exceeds \$120,000 and 3. any "related person" had or will have a direct or indirect material interest in the transaction during any part of the fiscal year. For this purpose, in general, the term "related person"



includes any director or executive officer of U.S. Cellular, any nominee for director, any beneficial owner of more than five percent of any class of U.S. Cellular's voting securities and any "immediate family member" of such persons, within the meaning of Item 404.

Section 314.00 of the NYSE Listed Company Manual provides that "Each related party transaction is to be reviewed and evaluated by an appropriate group within the listed company involved. While the Exchange does not specify who should review related party transactions, the Exchange believes that the Audit Committee or another comparable body might be considered as an appropriate forum for this task. Following the review, the company should determine whether or not a particular relationship serves the best interest of the company and its shareholders and whether the relationship should be continued or eliminated."

Accordingly, pursuant to such provisions, the U.S. Cellular Audit Committee has review and oversight responsibilities over transactions that are deemed to be related-party transactions under Sections 307.00 and 314.00 of the NYSE Listed Company Manual. Other than the foregoing provisions, U.S. Cellular has no further written document evidencing policies and procedures relating to (i) the types of transactions that are covered by such policies and procedures; (ii) the standards to be applied pursuant to such policies and procedures; or (iii) the persons or groups of persons on the board of directors or otherwise who are responsible for applying such policies and procedures.

Since the beginning of the last fiscal year, the U.S. Cellular Audit Committee exercised oversight over related-party transactions, but did not take any formal action to approve any related-party transactions.

### **Compensation Committee**

U.S. Cellular does not have a formal standing compensation committee for all executive compensation, except that long-term equity compensation of executive officers is approved by the Stock Option Compensation Committee, as discussed below. However, LeRoy T. Carlson, Jr., Chairman of U.S. Cellular, functions as the compensation committee for all matters not within the authority of the Stock Option Compensation Committee, but does not do so pursuant to a charter. LeRoy T. Carlson, Jr. does not approve any compensation to himself as Chairman. Mr. Carlson receives no compensation directly from U.S. Cellular. Mr. Carlson is compensated by TDS in connection with his services for TDS and TDS subsidiaries, including U.S. Cellular. A portion of Mr. Carlson's salary and bonus paid by TDS is allocated to U.S. Cellular by TDS, along with other expenses of TDS. This allocation by TDS to U.S. Cellular is done in the form of a single management fee pursuant to the Intercompany Agreement discussed below under "Intercompany Agreement." John E. Rooney, President and Chief Executive Officer of U.S. Cellular, makes recommendations with respect to compensation for the named executive officers other than Mr. Rooney. For further information, see "Compensation Discussion and Analysis" below.

The basis for the view of the board of directors that it is appropriate for U.S. Cellular not to have a formal independent compensation committee for all executive compensation is that it is controlled by TDS. As a controlled corporation, U.S. Cellular is not required to have an independent compensation committee under listing standards of the NYSE. As a controlled company, except with respect to matters within the authority of the Stock Option Compensation Committee, U.S. Cellular considers it sufficient and appropriate that LeRoy T. Carlson, Jr., who is a director and president and chief executive officer of TDS, approves compensation decisions for U.S. Cellular. As a result of Mr. Carlson's position with TDS, which is the majority shareholder of U.S. Cellular, he represents the interests of all shareholders of U.S. Cellular in his compensation decisions.

### **Stock Option Compensation Committee**

Although it is not required to do so under NYSE listing standards, U.S. Cellular has a Stock Option Compensation Committee comprised solely of directors that qualify as independent under the rules of the NYSE. In addition, the Stock Option Compensation Committee is comprised of at least two non-employee members of the U.S. Cellular board of directors, each of whom is an "outside director" within the meaning of section 162(m) of the Internal Revenue Code of 1986, as amended, and a

"Non-Employee Director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

The Stock Option Compensation Committee of our board of directors currently consists of J. Samuel Crowley, Ronald E. Daly and Paul-Henri Denuit. The principal functions of the Stock Option Compensation Committee are to consider and approve long-term compensation for executive officers and to consider and recommend to our board of directors new long-term compensation plans or changes in existing plans. The Stock Option Compensation Committee held three meetings during 2008.

A copy of the current charter of the Stock Option Compensation Committee is not available on U.S. Cellular's web site and, accordingly, is attached hereto as Exhibit A.

The Stock Option Compensation Committee may delegate power and authority to the Chairman of U.S. Cellular or any executive officer of U.S. Cellular or as otherwise permitted by any applicable long-term incentive plan, except that the Stock Option Compensation Committee may not delegate its power and authority with respect to the long-term compensation of executive officers of U.S. Cellular who are subject to the requirements of Section 16 of the Securities Exchange Act of 1934, as amended, or as otherwise provided in any applicable long-term incentive plan.

The executive officers who are subject to Section 16 requirements are set forth under the caption "Executive Officers" in this proxy statement. Except with respect to such persons, the Company's long-term incentive plan does not otherwise currently restrict the ability of the Stock Option Compensation Committee to delegate its power and authority. As a result, currently the Stock Option Compensation Committee may delegate its power and authority to the Chairman or any executive officer of U.S. Cellular except with respect to the long-term stock compensation of the persons identified under the caption "Executive Officers".

The Stock Option Compensation Committee has not delegated any authority with respect to the executive officers identified in the below Summary Compensation Table.

#### *Compensation Consultant*

Towers-Perrin is U.S. Cellular's primary compensation consultant and is engaged by the U.S. Cellular Human Resources department, rather than by the Chairman who functions as the compensation committee, or the Stock Option Compensation Committee. U.S. Cellular's Human Resources Department supports the Chairman and the Stock Option Compensation Committee in their functions, and uses information produced by the consultant in such support. In 2008, such consultant did not provide any advice as to director compensation and only provided advice as to compensation of officers and employees.

In 2008, the role of such compensation consultant in determining or recommending the amount or form of executive officer compensation was to provide recommendations on the type and amount of compensation to be granted to officers and non-officers.

The nature and scope of the assignment, and the material elements of the instructions or directions given to such consultant with respect to the performance of its duties under its engagement, were to make recommendations based on external benchmarking data obtained from its executive compensation survey database. See "Benchmarking" in the below Compensation Discussion and Analysis.

#### **Director Compensation**

Neither LeRoy T. Carlson, Jr. nor the Stock Option Compensation Committee approves director compensation. It is the view of the U.S. Cellular board of directors that this should be the responsibility of the full board of directors. In particular, only non-employee directors receive compensation in their capacity as directors and, as a result, the view of the U.S. Cellular board of directors is that all directors should participate in such decisions, rather than only the Chairman or only some or all of the non-employee directors. U.S. Cellular does not have any stock ownership guidelines for directors.

## Other Committees

*Pricing Committee.* U.S. Cellular has a Pricing Committee, consisting of LeRoy T. Carlson, Jr. as Chairman, and John E. Rooney and Kenneth R. Meyers as members. The Pricing Committee does not have a charter. Pursuant to resolutions of the U.S. Cellular board of directors from time to time, the Pricing Committee is authorized to take certain action with respect to financing and capital transactions of U.S. Cellular, such as the issuance, redemption or repurchase of debt or the repurchase of shares of capital stock of U.S. Cellular.

## Director Nomination Process

U.S. Cellular does not have a corporate governance/nominating committee and does not have a corporate governance/nominating committee charter. Under listing standards of the NYSE, U.S. Cellular is exempt from the requirement to have a corporate governance/nominating committee comprised solely of independent directors because it is a controlled company as such term is defined by the NYSE. Instead, the entire board of directors participates in the consideration of director nominees.

The U.S. Cellular board of directors does not have a formal policy with regard to the consideration of any director candidates recommended by shareholders. Because TDS has sole voting power in the election of directors elected by holders of Series A Common Shares and a majority of the voting power in the election of directors elected by holders of Common Shares, nominations of directors for election by the holders of Series A Common Shares and Common Shares are generally based on the recommendation of TDS. With respect to candidates for director to be elected by the Common Shares, the U.S. Cellular board may from time to time informally consider candidates recommended by shareholders that hold a significant number of Common Shares. The U.S. Cellular board has no formal procedures to be followed by shareholders in submitting recommendations of candidates for director.

The U.S. Cellular board of directors does not have any specific, minimum qualifications that the board believes must be met by a nominee for a position on the U.S. Cellular board of directors, or any specific qualities or skills that the board believes are necessary for one or more of the U.S. Cellular directors to possess. The U.S. Cellular board of directors has consistently sought to nominate to the board of directors eminently qualified individuals whom the board believes would provide substantial benefit and guidance to U.S. Cellular. The U.S. Cellular board believes that substantial judgment, diligence and care are required to identify and select qualified persons as directors and does not believe that it would be appropriate to place limitations on its own discretion.

In general, the U.S. Cellular board of directors will nominate existing directors for re-election unless the board has a concern about the director's ability to perform his or her duties. In the event of a vacancy on the board of a director elected by holders of Series A Common Shares, nominations are based on the recommendation of TDS. In the event of a vacancy on the board of a director elected by holders of Common Shares, U.S. Cellular may use various sources to identify potential candidates, including an executive search firm. In addition, the Chairman may consider recommendations by shareholders that hold a significant number of Common Shares. Potential candidates are initially screened by the Chairman and by other persons as the Chairman designates. Following this process, when appropriate, information about the candidate is presented to and discussed by the full board of directors.

Each of the nominees approved by the U.S. Cellular board for election at the 2009 annual meeting is an executive officer and/or director who is standing for re-election.

From time to time, U.S. Cellular may pay a fee to an executive search firm to identify potential candidates for election as directors. U.S. Cellular did not pay a fee in 2008 to any third party or parties to identify or evaluate or assist in identifying or evaluating potential new nominees for election of directors at the 2009 annual meeting.

**Non-Management Directors and Shareholder Communication with Directors**

As required by NYSE listing standards, the non-management directors of U.S. Cellular meet at regularly scheduled executive sessions without management. Walter C.D. Carlson presides at all meetings of the non-management directors of U.S. Cellular. In addition, as required by NYSE listing standards, the independent directors of U.S. Cellular meet at least once per year in an executive session without management or directors who are not independent.

Shareholders or other interested parties may send communications to the U.S. Cellular board of directors, to the non-management directors or to specified individual directors of U.S. Cellular at any time. Shareholders or other interested parties should direct their communication to such persons or group in care of the Secretary of U.S. Cellular, c/o Telephone and Data Systems, Inc., 30 N. LaSalle St., Chicago IL 60602. Any shareholder communications that are addressed to the board of directors, the non-management directors or specified individual directors will be delivered by the Secretary to such persons or group.

Information on communicating with directors is available on U.S. Cellular's web site, [www.uscellular.com](http://www.uscellular.com), under About Us Investor Relations Corporate Governance Contact the Board.

**U.S. Cellular Policy on Attendance of Directors at Annual Meeting of Shareholders**

All directors are invited and encouraged to attend the annual meeting of shareholders, which is normally followed by the annual meeting of the board of directors. In general, all directors attend the annual meeting of shareholders unless they are unable to do so because of unavoidable commitments or intervening events. All nine of the directors attended the 2008 annual meeting of shareholders.

**Codes of Ethics for Directors**

As required by Section 303A.10 of the NYSE Listed Company Manual, U.S. Cellular has adopted a Code of Business Conduct and Ethics for Officers and Directors, as amended as of September 15, 2008. This code has been posted to U.S. Cellular's web site, [www.uscellular.com](http://www.uscellular.com), under About Us Investor Relations Corporate Governance Code of Business Conduct and Ethics for Officers and Directors, and is available in print to any shareholder who requests it.

**PROPOSAL 2**  
**AMENDMENT OF COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS**

The U.S. Cellular board of directors approved amendments to the U.S. Cellular Compensation Plan for Non-Employee Directors to increase director compensation, based on a review of director compensation practices in the telecommunications industry and at other comparable companies. A copy of the amended plan is attached hereto as Exhibit B.

The amended plan is subject to shareholder approval under the rules of the New York Stock Exchange because the amendments are material and the plan involves the issuance of U.S. Cellular equity securities to directors of U.S. Cellular. Accordingly, the U.S. Cellular Compensation Plan for Non-Employee Directors, as amended (the "Directors Plan"), is being submitted for approval by the shareholders at the 2009 Annual Meeting. If approved by shareholders, the Directors Plan will be effective upon such approval. The following is a description of the Directors Plan, as amended.

**Description Of The Plan**

Non-employee directors will receive an annual director's retainer fee of \$55,000 paid in cash.

Non-employee directors will also receive an annual stock award of \$55,000 paid in the form of U.S. Cellular Common Shares, which will be distributed in March on or prior to March 15 of each year, beginning March 2009, for services performed during the 12 month period that commenced on March 1 of the immediately preceding calendar year and ended on the last day of February of the calendar year of payment. The number of shares will be determined on the basis of the closing price of U.S. Cellular Common Shares for the last trading day in the month of February of each year. Notwithstanding the foregoing, the annual stock award of \$55,000 to be distributed in March 2009, shall be distributed \$45,000 in the form of Common Shares and \$10,000 in the form of cash. In addition, a director who is not a citizen of the United States may, at his or her discretion, receive the annual stock award in the form of cash.

Each non-employee director who serves on the Audit Committee, other than the Chairperson, will receive an annual committee retainer fee of \$11,000, and the Chairperson will receive an annual committee retainer fee of \$22,000.

Each non-employee director who serves on the Stock Option Compensation Committee, other than the Chairperson, will receive an annual committee retainer fee of \$7,000, and the Chairperson will receive an annual committee retainer fee of \$14,000.

Non-employee directors also will receive a meeting fee of \$1,750 for each board or committee meeting attended.

Under the Directors Plan, annual retainers will be paid in cash on a quarterly basis, as of the last day of each quarter. Fees for all board and committee meetings will be paid in cash on a quarterly basis, as of the last day of each quarter.

Upon approval of this amended Directors Plan by shareholders, directors will have the authority without further shareholder approval to further amend the Directors Plan from time to time, including amendments to increase the amount of the compensation payable in Common Shares from time to time, provided that the total number of Common Shares issued under the Plan may not exceed the amount previously approved by shareholders.

A total of 60,000 U.S. Cellular Common Shares were previously approved by shareholders for issuance under the Directors Plan, of which approximately 12,000 Common Shares have been issued as of February 28, 2009.

Pursuant to Section 303A.08 of the New York Stock Exchange Listed Company Manual, the authorization to issue Common Shares pursuant to the Directors Plan shall expire ten years after the date of shareholder approval on May 19, 2009, unless reapproved by shareholders. If for any reason shares cannot be issued pursuant to the requirements of the New York Stock Exchange or otherwise, the value of such shares that cannot be issued shall be paid in the form of cash.

**Federal Income Taxes**

In general, a non-employee director who is issued Common Shares under the Directors Plan will recognize taxable compensation in the year of issuance in an amount equal to the fair market value of such Common Shares on the date of issuance, and U.S. Cellular will be allowed a deduction for federal income tax purposes at the time the non-employee director recognizes taxable compensation equal to the amount of compensation recognized by such non-employee director.

In general, a non-employee director's basis for Common Shares received under the Directors Plan will be the amount recognized as taxable compensation with respect to such Common Shares, and a non-employee director's holding period for such shares will begin on the date the non-employee director recognizes taxable compensation with respect to the shares.

The foregoing tax effects may be different if Common Shares are subject to restrictions imposed by Section 16(b) of the Exchange Act. In such case, a non-employee director who is issued Common Shares under the Directors Plan will recognize taxable compensation on the issued shares when the restrictions on such shares imposed by Section 16(b) of the Exchange Act lapse, unless the non-employee director makes an appropriate election under Section 83(b) of the Internal Revenue Code of 1986, as amended, to be taxed at the time of issuance of the shares.

In general, a non-employee director will recognize taxable compensation in the year of payment of the cash annual retainer or meeting fees in an amount equal to such cash payment, and in the year of payment U.S. Cellular will be allowed a deduction for federal income tax purposes equal to the compensation recognized by such non-employee director.

**Plan Benefits**

No disclosure is being made of the benefits or amounts that will be received by or allocated to any participants because the benefit or amount is not determinable until earned and paid.

**The board of directors recommends a vote "FOR" approval of the Compensation Plan for Non-Employee Directors, as amended.**

**PROPOSAL 3**  
**U.S. CELLULAR 2005 LONG-TERM INCENTIVE PLAN, AS AMENDED**

On March 17, 2009, the U.S. Cellular board of directors approved an amendment to the U.S. Cellular 2005 Long-Term Incentive Plan (the "Plan") authorizing 2,600,000 additional Common Shares, par value \$1.00 per share ("Common Shares") to be issued under the Plan, subject to shareholder approval. In addition, since the Plan was last approved by shareholders in 2005, there have been certain amendments to the Plan that were not material and that were not submitted for approval by shareholders. A copy of the amended Plan (the "Amended Plan"), reflecting the increase in the authorized Common Shares and all other amendments since the Plan was last approved by shareholders, is attached hereto as Exhibit C.

Accordingly, the Amended Plan is being submitted for approval by shareholders at the 2009 annual meeting. If approved by shareholders, the Amended Plan will be effective upon approval. The following is a description of the Amended Plan.

**Description Of The Amended Plan**

*General.* Under the Amended Plan, U.S. Cellular may grant incentive stock options ("ISOs") and nonqualified stock options, stock appreciation rights ("SARs"), restricted stock awards and restricted stock unit ("RSU") awards, performance awards and company match awards for deferred bonus payments, as described below. Common Shares granted under the Amended Plan may be authorized and unissued shares, authorized and issued shares that are reacquired and held as treasury or otherwise or a combination thereof. A total of 9,600,000 Common Shares have been reserved for issuance under the Amended Plan, subject to adjustment in the event of a stock split, stock dividend or other changes in capital structure of U.S. Cellular. The number of available shares is reduced by the sum of the aggregate number of Common Shares which are or become subject to outstanding awards. To the extent that Common Shares subject to an outstanding award are not issued or delivered, or are returned to U.S. Cellular, by reason of the expiration, termination, cancellation or forfeiture of such award, the settlement of such award in cash, or by reason of the delivery or withholding of Common Shares to pay all or a portion of the exercise price of an award, if any, or to satisfy all or a portion of the tax withholding obligations relating to an award, then such Common Shares again will be available under the Amended Plan.

*Effective Date and Termination.* The Plan became effective as of February 22, 2005 and, unless terminated earlier by the board of directors, the Amended Plan will terminate on February 22, 2015.

*Purposes.* The purposes of the Amended Plan are to:

align the interests of the shareholders of U.S. Cellular and the key executive and management employees of U.S. Cellular and certain of its affiliates by increasing the proprietary interest of such employees in U.S. Cellular's growth and success;

advance the interests of U.S. Cellular by attracting and retaining key executive and management employees of U.S. Cellular and such affiliates; and

motivate such employees to act in the long-term best interests of U.S. Cellular's shareholders.

*Amendment.* The U.S. Cellular board of directors may amend the Amended Plan as it deems advisable, subject to any requirement of shareholder approval under applicable law, rule or regulation (including Section 162(m) and Section 422 of the Internal Revenue Code of 1986, as amended (the "Code")), and any rule of the principal national stock exchange on which the Common Shares are then traded, except that no amendment may be made without shareholder approval if such amendment would:

increase the maximum number of Common Shares available for issuance under the Amended Plan (subject to adjustment for certain changes in the capital structure of U.S. Cellular); or

with respect to any ISO granted under the Amended Plan, effect any change inconsistent with Section 422 of the Code.

*Eligibility.* Subject to limitations set forth in the Amended Plan with respect to particular types of awards, participants in the Amended Plan may consist of such key executive and management





## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

employees of U.S. Cellular or certain of its affiliates, as the Committee (as defined below) may select from time to time. U.S. Cellular and its affiliates currently have approximately 1,850 key executive and management employees.

*Maximum Award.* Subject to adjustment in the event of changes in the capital structure of U.S. Cellular, and to the extent necessary for an award to be "qualified performance-based compensation" under Section 162(m) of the Code:

the maximum number of Common Shares with respect to which options or SARs (or a combination thereof) may be granted during any calendar year to any employee is 175,000;

the maximum number of Common Shares with respect to which restricted stock or RSU awards subject to performance measures (or a combination thereof) may be granted during any calendar year to any employee is 50,000; and

the maximum amount that may be paid to any employee under a performance award for any performance period is 50,000 Common Shares or the fair market value of such Common Shares if paid in cash.

*Administration.* The Amended Plan will be administered by a committee (the "Committee") designated by the board of directors, consisting of one or more members of the board of directors, each of whom is an "outside director" within the meaning of Section 162(m) of the Code and a "Non-Employee Director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Committee will select those eligible persons for participation in the Amended Plan as the Committee determines and will determine the form and timing of each award and, if applicable, the number of Common Shares, the number of SARs and the number of RSUs subject to such an award, the exercise price or base price of the award, the time and conditions of exercise or settlement of the award and all other terms and conditions of the award, including, without limitation, the form of the agreement evidencing the award. The Committee may impose conditions with respect to the grant of an award, such as limiting competitive employment or other activities.

The Committee also will have authority to prescribe rules and regulations for administering the Amended Plan and to decide questions of interpretation or application of any provision of the Amended Plan.

The approval by the full board of directors, as well as the affirmative vote of a majority of the members of the Committee, is required for any grant of stock options, restricted stock or RSU awards or similar stock-based compensation if the number of Common Shares which could be issued pursuant to such award, when added to the then currently outstanding Common Shares plus the number of Common Shares then subject to purchase or receipt pursuant to all grants of stock options, employee stock purchase plans, restricted stock or RSU awards and any other plan or program pursuant to which Common Shares of U.S. Cellular have been optioned or granted, whether vested or not, would result in U.S. Cellular no longer satisfying the eligibility requirements, under Section 1504 of the Code, to file a consolidated tax return with TDS.

Except in connection with certain changes in the capital structure of U.S. Cellular, the Committee may not reduce the exercise price of an outstanding stock option or the base price of an outstanding SAR without the approval of U.S. Cellular's stockholders.

*Delegation.* The Committee may delegate some or all of its power and authority under the Amended Plan to the Chairman or other executive officer of U.S. Cellular as it deems appropriate; provided, however, that the Committee may not delegate its power and authority regarding:

the selection for participation in the Amended Plan of:

o

the Chief Executive Officer of U.S. Cellular (or any employee who is acting in such capacity), one of the four highest compensated officers of U.S. Cellular (other than the Chief Executive Officer), or any other person deemed to be a "covered employee" within the meaning of Section 162(m) of the Code or who, in the Committee's judgment, is likely to be a covered employee at any time during the period the award to be granted to such employee may result in taxable income to the employee, or

o

an officer or other person subject to section 16 of the Exchange Act; or

decisions concerning the timing, pricing or amount of an award granted to such an employee, officer or other person.

*Performance Measures.* The Committee may establish performance measures as follows:

as a condition to the grant or exercisability of all or a portion of an option or SAR;

as a condition to the grant of restricted stock or RSU awards; or

during the applicable restriction or performance period as a condition to the award recipient's receipt, in the case of restricted stock awards, of the Common Shares subject to such awards, or in the case of RSU awards or performance awards, of the Common Shares subject to such awards or the cash amount payable with respect to such awards (or a combination thereof).

To the extent necessary for an award to be "qualified performance-based compensation" within the meaning of Section 162(m) of the Code, the performance measures shall include one or more of the following:

the attainment by a Common Share of a specified fair market value for a specified period of time;

return to shareholders (including dividends);

return on assets, equity or capital;

customer satisfaction or defections;

gross or net customer additions;

sales and marketing costs per gross customer addition;

revenues, earnings or earnings per share;

average revenue per customer unit;

market share;

cash flow; and/or

cost reduction goals.

*Stock Options.* The Amended Plan provides for the grant of ISOs and nonqualified options, and that the Committee will determine the number of Common Shares subject to an option, the exercise period of an option, the purchase price per Common Share subject to an option and the other terms of the option, provided that the purchase price per Common Share is not less than 100% of the fair market value of such

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

Common Share on the date of grant of the option. The exercise of an option entitles the optionee to receive whole Common Shares. The aggregate fair market value (determined as of the date the option is granted) of the Common Shares with respect to which ISOs are exercisable for the first time by the optionee in any calendar year (under the Amended Plan and any other incentive stock option plan of U.S. Cellular or any related corporation) may not exceed \$100,000. ISOs granted under the Amended Plan may not be exercised later than ten years from the date of grant. In the case of any eligible employee who owns or is deemed to own stock possessing more than 10% of the total combined voting power of all classes of stock of U.S. Cellular or any related corporation, the purchase price per share of any ISO granted under the Amended Plan may not be less than 110% of the fair market value of a Common Share on the date of grant, and the exercise period may not exceed five years from the date of grant.

Upon exercise of a stock option which was awarded prior to March 7, 2006 to an employee who is an officer, the purchase price may be paid in cash, by delivery of unencumbered whole Common Shares that have been owned by the option holder for at least six months or purchased by the option holder on the open market ("mature shares"), by authorizing U.S. Cellular to withhold whole Common Shares that otherwise would be delivered, by a combination of cash and delivery of mature shares, or, to the extent legally permissible, through an arrangement between the option holder and a broker-dealer acceptable to U.S. Cellular for the payment of the purchase price.

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

Upon exercise of a stock option which was awarded on or after March 7, 2006 to an employee who is an officer, the purchase price may be paid by authorizing U.S. Cellular to withhold whole Common Shares that otherwise would be delivered or by the delivery of mature shares.

Upon exercise of a stock option by an employee other than an officer, the purchase price may be paid in cash, by delivery of mature shares, by a combination of cash and delivery of mature shares, or, to the extent legally permissible, through an arrangement between the option holder and a broker-dealer acceptable to U.S. Cellular for the payment of the purchase price.

All of the terms relating to the exercise or cancellation of a stock option upon a termination of employment, whether by reason of disability, retirement, death or other reason, will be determined by the Committee.

*Stock Appreciation Rights.* The Amended Plan provides for the grant of SARs. The number of SARs, the period for the exercise of an SAR, whether the SAR shall be freestanding or granted in tandem or by reference to an option and any performance measures or other terms applicable to an SAR will be determined by the Committee. The Committee also will determine the base price of a freestanding SAR, provided that the base price shall not be less than 100% of the fair market value of a Common Share on the date of grant. The base price of an SAR granted in tandem or by reference to an option will be the purchase price per Common Share of the related option. The Committee will determine whether SARs shall be settled in Common Shares, cash or a combination thereof. All of the terms relating to the exercise or cancellation of an SAR upon a termination of employment, whether by reason of disability, retirement, death or other reason, will be determined by the Committee.

*Restricted Stock and RSU Awards.* The Amended Plan provides for the grant of restricted stock and RSU awards. An award of restricted stock entitles the holder to Common Shares subject to a restriction period. An RSU is a right to receive, upon termination of the restriction period, a Common Share, or the fair market value of such share in cash, as specified by the agreement evidencing the award. An award of restricted stock or RSUs may be made upon the attainment of performance measures or may be subject to the attainment of performance measures during the applicable restriction period. The number of Common Shares subject to an award of restricted stock or RSUs, the restriction period, any performance measures, and the other terms of a restricted stock or RSU award will be determined by the Committee. Shares of restricted stock and RSUs are subject to forfeiture if the holder does not remain continuously employed by U.S. Cellular or an affiliate during the restriction period or, if the restricted stock or RSU is subject to performance measures, if such performance measures are not attained during the restriction period. All of the terms related to the termination of the restriction period or the satisfaction of performance measures, or the forfeiture and cancellation of a restricted stock or RSU award upon a termination of employment, whether by reason of disability, retirement, death or any other reason, will be determined by the Committee.

Unless otherwise set forth in an award agreement and subject to the terms and conditions of a restricted stock award, the holder of a restricted stock award will have all rights as a shareholder of U.S. Cellular, including the right to vote and receive dividends or other distributions and the right to participate in any capital adjustment applicable to all shareholders of U.S. Cellular, with respect to the shares of restricted stock subject to the award.

Prior to the settlement of an RSU award in Common Shares, the holder of such RSU award shall have no rights as a shareholder of U.S. Cellular with respect to the Common Shares subject to such award; however, the agreement for the award may allow the holder of the RSU award to receive, on a current or deferred basis, dividend equivalents on such RSU award and may also provide interest on, or the deemed reinvestment of, any deferred dividend equivalents.

*Performance Awards.* The Amended Plan provides for the grant of performance awards. Each performance award is a right, contingent upon the attainment of specified performance measures within a specified performance period, to receive payment in cash or Common Shares (which may be restricted stock) or a combination thereof, as specified by the agreement evidencing the award. The amount of a performance award, the applicable performance measures and performance period, and the other terms of a performance award will be determined by the Committee. If the specified performance measures are not attained during the applicable performance period, then the award recipient generally forfeits all

rights to receive the cash or Common Shares subject to the performance award. All of the terms related to the termination of the performance period or the satisfaction of performance measures, or the forfeiture and cancellation of a performance award upon a termination of employment, whether by reason of disability, retirement, death or any other reason, will be determined by the Committee.

*Company Match Awards.* The Amended Plan permits an eligible employee selected by the Committee to elect to defer all or a portion of his or her annual bonus to a deferred compensation account under the Amended Plan. If a selected employee elects to defer under the Amended Plan all or a portion of his or her annual bonus, a company match award will be allocated to the employee's deferred compensation account in an amount equal to the sum of:

25% of the deferred bonus amount which is not in excess of one-half of the employee's gross bonus for the year, and

33<sup>1</sup>/<sub>3</sub>% of the deferred bonus amount which is in excess of one-half of the employee's gross bonus for the year.

An employee will be fully vested in the deferred bonus amounts credited to his or her deferred compensation account. One-third of the company match award credited to the employee's deferred compensation account will become vested on each of the first three anniversaries of the last day of the year for which the applicable bonus is payable, provided that such employee remains continuously employed by U.S. Cellular or an affiliate until such date and the related deferred bonus amount has not been withdrawn or distributed before such date. Any company match award that is not vested as of the date that the related deferred bonus amount is withdrawn or distributed will be forfeited as the date of the withdrawal or distribution. Without regard to the previous provisions of this paragraph, the company match award will become fully vested upon the employee's permanent disability prior to separation from service or the employee's separation from service due to retirement or death.

Amounts credited to an employee's deferred compensation account will be deemed to be invested in phantom Common Shares at the time the amounts are credited to the deferred compensation account.

Payment of deferred compensation generally will be in accordance with the employee's distribution date elections, provided that if an employee is a "specified employee" within the meaning of Section 409A of the Code, and is entitled to payment by reason of the employee's separation from service, no portion of his or her deferred compensation account subject to Section 409A of the Code will be paid before the date which is six months after the date of the employee's separation from service (or if earlier, the date of the employee's death). Payment of deferrals related to bonus years prior to 2009 generally will be in a lump sum or installments, as elected by the employee. Payment of deferrals related to 2009 and bonus years thereafter will be in a lump sum.

In addition, the Committee may approve a distribution of all or a portion of an employee's vested deferred compensation account in the event of an unforeseeable emergency causing the employee severe financial hardship. In the event an employee receives a distribution from his or her deferred compensation account due to unforeseeable emergency, any deferral election by the employee in effect under the Amended Plan immediately will be cancelled.

All payments of deferred compensation will be made in whole Common Shares and cash equal to the fair market value of any fractional share.

#### **Federal Income Tax Consequences**

The following is a brief summary of certain U.S. federal income tax consequences, pursuant to the laws in effect as of the date of this Proxy Statement, of awards made under the Amended Plan. U.S. federal income tax laws are complex and subject to different interpretations, and the following summary is not a complete description of the possible U.S. federal income tax consequences of awards made under the Amended Plan.

*Nonqualified Stock Options.* An award recipient will not recognize taxable income at the time of grant of a nonqualified stock option, and U.S. Cellular will not be entitled to a corporate income tax deduction at that time. An award recipient will recognize compensation taxable as ordinary income

(subject to income tax withholding) upon exercise of a nonqualified stock option equal to the excess of the fair market value on the date of exercise of the shares purchased over their exercise price, and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Code applies.

*Incentive Stock Options.* An award recipient will not recognize taxable income at the time of grant or at the time of exercise of an ISO, and U.S. Cellular will not be entitled to a corporate income tax deduction at that time. However, the excess of the fair market value on the date of exercise of the shares purchased over their exercise price is included in alternative minimum taxable income subject to the alternative minimum tax. If the shares acquired by exercise of an ISO are not disposed of during the period ending on the later of: (i) two years from the date the option was granted and (ii) one year from the date the shares were transferred to the award recipient, any gain or loss arising from a subsequent disposition of such shares will be taxed as long-term capital gain or loss, and U.S. Cellular will not be entitled to any corporate income tax deduction. If, however, such shares are disposed of within such two or one year period, then upon such disposition of the shares:

if the amount realized upon the disposition is equal to or greater than the fair market value of the shares on the date of exercise:

- o the amount, if any, by which such fair market value exceeds the option exercise price of the shares will be treated as compensation taxable as ordinary income to the award recipient in the year of the disposition; and
- o the amount, if any, realized in excess of such fair market value will be treated as short-term or long-term capital gain;

if the amount realized upon the disposition is less than the fair market value of the shares on the date of exercise but not less than the option exercise price of the shares, the excess of the amount realized upon the disposition over the option exercise price will be treated as compensation taxable as ordinary income to the award recipient in the year of the disposition;

if the amount realized upon the disposition is less than the option exercise price of the shares, the excess of the option exercise price over the amount realized will be treated as short-term or long-term capital loss;

and U.S. Cellular will be entitled to a corporate income tax deduction in the year of the disposition to the extent the award recipient realizes ordinary income therefrom, except to the extent the limit of Section 162(m) of the Code applies.

*SARs.* An award recipient will not recognize taxable income at the time of grant of an SAR, and U.S. Cellular will not be entitled to a corporate income tax deduction at that time. In the case of an SAR settled in Common Shares, cash or a combination of both, an award recipient will recognize compensation taxable as ordinary income (subject to income tax withholding) upon exercise in an amount equal to the fair market value of any Common Shares delivered and any cash paid by U.S. Cellular, and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Code applies.

*Restricted Stock.* An award recipient will not recognize taxable income at the time of grant of shares of restricted stock, and U.S. Cellular will not be entitled to a corporate income tax deduction at such time, unless the award recipient makes an election with the Internal Revenue Service, within 30 days after the date of grant, to be taxed at the time the shares of restricted stock are granted. If such election is made, the award recipient will recognize compensation taxable as ordinary income (subject to income tax withholding) at the time of the grant equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. If such election is not made, the award recipient will recognize compensation taxable as ordinary income (subject to income tax withholding) at the time the restrictions on the shares lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. U.S. Cellular is entitled to a corresponding corporate income tax deduction at the time the ordinary income is recognized by the award recipient, except to the extent the limit of Section 162(m) of the Code applies. In addition, an award recipient receiving dividends with respect to restricted stock for which the above-described

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

election has not been made and prior to the time the restrictions on the shares lapse will recognize compensation taxable as ordinary income (subject to income tax withholding), rather than dividend income, in an amount equal to the dividends paid, and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Code applies.

*Restricted Stock Units.* An award recipient will not recognize taxable income at the time of grant of an RSU, and U.S. Cellular will not be entitled to a corporate income tax deduction at such time. An award recipient will recognize compensation taxable as ordinary income (subject to income tax withholding) at the time the restrictions on the award lapse in an amount equal to the fair market value of any shares delivered and any cash paid by U.S. Cellular, and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Code applies.

*Performance Awards.* An award recipient will not recognize taxable income at the time of grant of a performance award, and U.S. Cellular will not be entitled to a corporate income tax deduction at such time. Upon the settlement of a performance award in the form of unrestricted Common Shares, cash or a combination of both, the award recipient will recognize compensation taxable as ordinary income (subject to income tax withholding) in an amount equal to the fair market value of any shares delivered and the amount of any cash paid by U.S. Cellular, and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Code applies. Upon the settlement of a performance award in the form of restricted stock, the federal income tax consequences associated with such restricted stock shall be determined in accordance with the above section titled "*Restricted Stock*."

*Deferral of Annual Bonus Amount and Company Match Award.* An award recipient will not recognize taxable income:

at the time of deferral of any annual bonus amount which he or she properly elects not to receive currently by deferring such amount into a deferred compensation account; or

upon the grant of a company match award,

and U.S. Cellular will not be entitled to a corporate income tax deduction at such time.

At the time the award recipient receives a distribution from his or her deferred compensation account, the award recipient will recognize the distributed amount as compensation taxable as ordinary income (subject to income tax withholding), and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Code applies.

*Section 162(m) of the Internal Revenue Code.* Section 162(m) of the Code generally limits to \$1 million the amount that a publicly held corporation is allowed each year to deduct for the compensation paid to each of the corporation's Chief Executive Officer and the corporation's three most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer. However, certain types of compensation paid to such executives are not subject to the \$1 million deduction limit. One such type is "qualified performance based compensation." Qualified performance based compensation must satisfy all of the following requirements:

the compensation must be payable solely on account of the attainment of pre-established objective performance measures;

the performance measures must be determined by a committee consisting solely of two or more "outside directors;"

the material terms under which the compensation is to be paid, including the performance measures, must be approved by a majority of the corporation's stockholders; and

the committee administering the plan must certify that the applicable performance measures were satisfied before payment of any performance based compensation is made.

Compensation payable with respect to stock options and SARs will be considered qualified performance based compensation, however, if such awards (i) have a purchase or base price at least equal to the fair market value of the underlying Common Shares on the date of grant; (ii) are granted by a committee





consisting solely of two or more "outside directors" and (iii) satisfy the share limits described in the above section titled "Maximum Award."

It is intended that the Committee, which will administer the Amended Plan, will consist solely of two or more "outside directors" as defined for purposes of Section 162(m) of the Code. As a result, and based on regulations published by the United States Department of the Treasury, certain compensation under the Amended Plan, such as that payable with respect to (i) options and SARs; (ii) restricted stock and RSUs granted as a result of the attainment of objective performance measures or with restrictions based upon the attainment of objective performance measures; and (iii) performance awards, may not be subject to the \$1 million deduction limit under Section 162(m) of the Code. Other compensation under the Amended Plan, such as that payable with respect to (i) restricted stock and RSUs not granted as a result of the attainment of objective performance measures with restrictions not based upon the attainment of objective performance measures and (ii) company match awards, generally is expected to be subject to such limit.

### **Change in Control**

Notwithstanding any provision in the Amended Plan or any agreement, in the event of a Change in Control, the board of directors may, but will not be required to, make such adjustments to outstanding awards under the Amended Plan as it deems appropriate, including, without limitation:

causing all outstanding options and SARs to immediately become exercisable in full;

causing the restriction period applicable to any outstanding restricted stock award, and to the extent permissible under Section 409A of the Code, any RSU award, to lapse;

to the extent permissible under Section 409A of the Code, causing the performance period applicable to any outstanding performance award to lapse;

causing any RSU award or performance award to vest;

causing the performance measures applicable to any outstanding award (if any) to be deemed to be satisfied at the minimum, target or maximum level;

causing the amount in a deferred compensation account attributable to a company match to vest; or

electing that each outstanding award will be surrendered to U.S. Cellular by the holder thereof, and that each such award will immediately be canceled by U.S. Cellular, and that the holder will receive, within sixty days following the occurrence of a Change in Control (or with respect to an award that is subject to section 409A of the Code, at the time the award would have been paid if a Change in Control had not occurred), a cash payment from U.S. Cellular; or

substituting for each Common Share subject to an outstanding award the number and class of shares into which an outstanding Common Share will be converted pursuant to the Change in Control (and adjusting the purchase price or base price, if any, accordingly).

For the definition of Change in Control, see U.S. Cellular's 2005 Long-Term Incentive Plan, as amended, attached as Exhibit C to this proxy statement.

Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

The following table specifies the number of Common Shares which are subject to options, the value and number of phantom Common Shares which are subject to company match awards, and the value and number of restricted stock unit awards for each of the named executives and certain other groups of participants under the Amended Plan as of December 31, 2008. Only awards that are outstanding as of December 31, 2008 are listed because future awards are not determinable.

**PLAN BENEFITS  
2005 LONG-TERM INCENTIVE PLAN**

Name	Number Of Common Shares Subject To Options(1)	Company Match Award (2)		Restricted Stock Units	
		Dollar Value(3)	Number of Shares	Dollar Value(3)	Number of Shares
<b>John E. Rooney</b> President and Chief Executive Officer	136,000	\$ 311,804	7,211	\$	
<b>Steven T. Campbell</b> Executive Vice President-Finance, Chief Financial Officer and Treasurer	51,339	\$		\$ 425,179	9,833
<b>Jay M. Ellison</b> Executive Vice President and Chief Operating Officer	142,520	\$ 26,030	602	\$ 1,078,752	24,948
<b>Michael S. Irizarry</b> Executive Vice President Engineering and Chief Technical Officer	96,157	\$		\$ 762,494	17,634
<b>Jeffrey J. Childs</b> Senior Vice President and Chief Human Resources Officer	78,500	\$		\$ 484,202	11,198
<b>Other Executives</b>	48,826	\$ 10,594	245	\$ 136,768	3,163
<b>Executive Group</b>	553,342	\$ 348,428	8,058	\$ 2,887,395	66,776
<b>Non-Executive Director Group</b>		\$		\$	
<b>Non-Executive Employee Group</b>	1,072,480	\$ 55,650	1,287	\$ 16,877,523	390,322
<b>Total</b>	1,625,822	\$ 404,078	9,345	\$ 19,764,918	457,098

- 
- (1) Since the exercise price for all options is equal to the fair market value of the Common Shares on the grant date, no value was assigned to the options for purposes of the above table.
- (2) Represents the dollar value and the number of shares of the company match award, which is represented by phantom Common Shares of U.S. Cellular.
- (3) The dollar value as of December 31, 2008 is calculated using the closing price of Common Shares on December 31, 2008 of \$43.24.

Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

This description of the 2005 Long-Term Incentive Plan, as amended, is a summary only and is qualified by the terms of the 2005 Long-Term Incentive Plan, as amended, itself, a copy of which is attached to this proxy statement as Exhibit C.

**The board of directors recommends a vote "FOR" approval of the 2005 Long-Term Incentive Plan, as amended.**

**PROPOSAL 4  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We anticipate continuing the services of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year. Representatives of PricewaterhouseCoopers LLP, which served as our independent registered public accounting firm for the last fiscal year, are expected to be present at the annual meeting of shareholders and will have the opportunity to make a statement and to respond to appropriate questions raised by shareholders at the annual meeting or submitted in writing prior thereto.

We are not required to obtain shareholder ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm by the Bylaws or otherwise. However, we have elected to seek such ratification by the affirmative vote of the holders of a majority of the votes cast by shares entitled to vote with respect to such matter at the annual meeting. Should the shareholders fail to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm, the board of directors will consider whether to retain such firm for the year ending December 31, 2009.

**The board of directors recommends a vote "FOR" ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year.**

**FEES PAID TO PRINCIPAL ACCOUNTANTS**

The following sets forth the aggregate fees (including expenses) billed by U.S. Cellular's principal accountants, PricewaterhouseCoopers LLP, for 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Audit Fees(1)	\$1,920,819	\$2,505,166
Audit Related Fees		
Tax Fees		
All Other Fees(2)	1,500	1,500
<b>Total Fees(3)</b>	<b>\$1,922,319</b>	<b>\$2,506,666</b>

- 
- (1) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for professional services rendered for the audit of the annual financial statements for the years 2008 and 2007 included in U.S. Cellular's Form 10-K for each of these years and the reviews of the financial statements included in U.S. Cellular's Forms 10-Q for each of these years, including the attestation and report relating to internal control over financial reporting as well as accounting research, review of financial information included in other SEC filings and the issuance of consents and comfort letters.
- (2) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for services, other than services covered in (1) above, for the years 2008 and 2007.
- (3) Amounts do not include fees billed by PricewaterhouseCoopers LLP directly to TDS. Although TDS bills U.S. Cellular an overall management fee pursuant to the Intercompany Agreement discussed below, TDS does not specifically identify and allocate fees of PricewaterhouseCoopers LLP to U.S. Cellular.

The Audit Committee determined that the payment of fees for non-audit related services does not conflict with maintaining PricewaterhouseCoopers LLP's independence.

See U.S. Cellular's web site, [www.uscellular.com](http://www.uscellular.com), under "Corporate Governance Audit Committee Charter," for information relating to the Audit Committee's pre-approval policies.

**AUDIT COMMITTEE REPORT**

This report is submitted by the current members of the Audit Committee of the board of directors of U.S. Cellular identified below. The Audit Committee operates under a written charter adopted by the U.S. Cellular board of directors, a copy of which is available on U.S. Cellular's web site, [www.uscellular.com](http://www.uscellular.com), under About Us Investor Relations Corporate Governance Audit Comm. Charter.

Management is responsible for U.S. Cellular's internal controls and the financial reporting process. U.S. Cellular utilizes services from the TDS internal audit staff, which performs testing of internal controls and the financial reporting process. U.S. Cellular's independent registered public accounting firm is responsible for performing an independent audit of U.S. Cellular's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America, and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee held meetings with management, the TDS internal audit staff and representatives of PricewaterhouseCoopers LLP, U.S. Cellular's independent registered public accounting firm for 2008. In these meetings, the Audit Committee reviewed and discussed the audited financial statements as of and for the year ended December 31, 2008. Management represented to the Audit Committee that U.S. Cellular's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and representatives of PricewaterhouseCoopers LLP.

The discussions with PricewaterhouseCoopers LLP also included the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, relating to information regarding the scope and results of the audit. The Audit Committee also received from PricewaterhouseCoopers LLP written disclosures and a letter regarding its independence as required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and this information was discussed with PricewaterhouseCoopers LLP.

Based on and in reliance upon these reviews and discussions, the Audit Committee recommended to the board of directors that the audited financial statements as of and for the year ended December 31, 2008 be included in U.S. Cellular's Annual Report on Form 10-K for the year ended December 31, 2008.

By the members of the Audit Committee of the board of directors of U.S. Cellular:

J. Samuel Crowley  
Chairperson

Paul-Henri Denuit

Harry J. Harczak, Jr.

## EXECUTIVE OFFICERS

The following executive officers of U.S. Cellular were identified in the above tables regarding the election of directors: LeRoy T. Carlson, Jr., Chairman; John E. Rooney, President and Chief Executive Officer; and Kenneth R. Meyers, Chief Accounting Officer. The following table identifies the other executive officers who are currently serving but are not identified in the above tables regarding the election of directors. The age of the following persons is as of the date of this proxy statement.

Name	Age	Position with U.S. Cellular
Steven T. Campbell	57	Executive Vice President Finance, Chief Financial Officer and Treasurer
Jay M. Ellison	56	Executive Vice President and Chief Operating Officer
Michael S. Irizarry	47	Executive Vice President Engineering and Chief Technical Officer
Jeffrey J. Childs	52	Senior Vice President and Chief Human Resources Officer

**Steven T. Campbell.** Steven T. Campbell has been the Executive Vice President Finance, Chief Financial Officer and Treasurer of U.S. Cellular since March 6, 2007. Prior to that time, he was Executive Vice President Finance, Chief Financial Officer, Treasurer and Controller of U.S. Cellular since January 1, 2007. Prior to that time, he was Vice President and Controller since June 2005. Prior to that time, he was vice president financial operations at 3Com Corporation from 2003 to 2005 and vice president-finance and operations at CommWorks Corporation, a subsidiary of 3Com Corporation, from 2000 to 2003.

**Jay M. Ellison.** Jay M. Ellison was appointed Executive Vice President and Chief Operating Officer on March 3, 2005. He joined U.S. Cellular on September 5, 2000 as Executive Vice President Operations.

**Michael S. Irizarry.** Michael S. Irizarry was appointed Executive Vice President Engineering and Chief Technical Officer on May 6, 2003. He joined U.S. Cellular as Executive Vice President Engineering and Chief Technical Officer on February 18, 2002. Prior to that time, he was vice president network, for the midwest area at Verizon Wireless from 2000 to 2001.

**Jeffrey J. Childs.** Jeffrey J. Childs was appointed Senior Vice President and Chief Human Resources Officer on May 8, 2007. He joined U.S. Cellular and was appointed Senior Vice President Human Resources on February 17, 2004. Prior to that time, he was president and owner of Childs Consulting Services, LLC and senior partner of Brimstone Consulting Group since May 2001. From November 1999 to February 2001, Mr. Childs was vice president human resources & corporate services at SecurityLink from Ameritech.

All of our executive officers devote all their employment time to the affairs of U.S. Cellular, except for LeRoy T. Carlson, Jr., Chairman, and Kenneth R. Meyers, Chief Accounting Officer. LeRoy T. Carlson, Jr., who is employed by TDS as its President and Chief Executive Officer, and Kenneth R. Meyers, who is employed by TDS as its Executive Vice President and Chief Financial Officer, devote a portion of their time to the affairs of U.S. Cellular.

#### Codes of Business Conduct and Ethics Applicable to Officers

As required by Section 303A.10 of the NYSE Listed Company Manual, U.S. Cellular has adopted a Code of Business Conduct and Ethics for Officers and Directors, that also complies with the definition of a "code of ethics" as set forth in Item 406 of Regulation S-K of the SEC. The foregoing code has been posted to U.S. Cellular's internet website, [www.uscellular.com](http://www.uscellular.com), under About Us Investor Relations Corporate Governance Code of Business Conduct and Ethics for Officers and Directors, and is available in print to any shareholder who requests it.

In addition, U.S. Cellular has adopted a broad Code of Business Conduct that is applicable to all officers and employees of U.S. Cellular and its subsidiaries. The foregoing code has been posted to U.S. Cellular's web site, [www.uscellular.com](http://www.uscellular.com), under About Us Investor Relations Corporate Governance Code of Conduct, and is available in print to any shareholder who requests it. U.S. Cellular intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to any of the foregoing codes, by posting such information to U.S. Cellular's internet website. Any waivers of any of the foregoing codes for directors or executive officers will be approved by U.S. Cellular's board of directors or an authorized committee thereof, as applicable, and disclosed in a Form 8-K that is filed with the SEC within four business days of such waiver.

## EXECUTIVE AND DIRECTOR COMPENSATION

### Compensation Discussion And Analysis

This Compensation Discussion and Analysis discusses the compensation awarded to, earned by, or paid to the executive officers identified in the below Summary Compensation Table.

#### Overview

U.S. Cellular's compensation policies for executive officers are intended to provide incentives for the achievement of corporate and individual performance goals and to provide compensation consistent with the financial performance of U.S. Cellular. U.S. Cellular's policies establish incentive compensation performance goals for executive officers based on factors over which such officers have substantial control and which are important to U.S. Cellular's long-term success. U.S. Cellular believes compensation should be related to the financial performance of U.S. Cellular and should be sufficient to enable U.S. Cellular to attract and retain individuals possessing the talents required for long-term successful performance. Nevertheless, although performance influences compensation and awards, all elements of compensation are discretionary and officers do not become entitled to any compensation or awards as a result of the achievement of performance levels. Compensation is not earned until approved and paid or awarded.

As a controlled corporation, U.S. Cellular is not required to have an independent compensation committee under listing standards of the New York Stock Exchange or otherwise. Although U.S. Cellular does not have an independent compensation committee for all executive compensation, long-term equity compensation elements of executive officers are approved by a fully independent Stock Option Compensation Committee, as discussed below.

LeRoy T. Carlson, Jr., Chairman of U.S. Cellular, functions as the compensation committee for all matters not within the authority of the Stock Option Compensation Committee, but does not do so pursuant to a charter. Mr. Carlson does not approve any compensation to himself as Chairman. Mr. Carlson receives no compensation directly from U.S. Cellular. Mr. Carlson is compensated by TDS in connection with his services for TDS and TDS subsidiaries, including U.S. Cellular. A portion of Mr. Carlson's salary and bonus paid by TDS is allocated to U.S. Cellular by TDS, along with other expenses of TDS. This allocation by TDS to U.S. Cellular is done in the form of a single management fee pursuant to the Intercompany Agreement discussed below under "Intercompany Agreement." U.S. Cellular directors or officers in such capacities do not receive any compensation paid or awarded by TDS to TDS officers.

As a controlled company, except with respect to matters within the authority of the Stock Option Compensation Committee, U.S. Cellular considers it sufficient and appropriate that LeRoy T. Carlson, Jr. as Chairman of U.S. Cellular, who receives no compensation directly from U.S. Cellular and who is a director and president of TDS, approves compensation decisions for U.S. Cellular. As a result of Mr. Carlson's position with TDS, the majority shareholder of U.S. Cellular, he represents the interests of all shareholders of U.S. Cellular in his compensation decisions with respect to U.S. Cellular.

As noted above, although it is not required to do so under New York Stock Exchange listing standards, U.S. Cellular has a Stock Option Compensation Committee comprised solely of directors that qualify as independent under the rules of the New York Stock Exchange. The Stock Option Compensation Committee currently consists of J. Samuel Crowley, Ronald E. Daly and Paul-Henri Denuit. The principal functions of the Stock Option Compensation Committee are to consider and approve long-term compensation for executive officers and to consider and recommend to the board of directors new long-term compensation plans or changes in existing plans.

Specifically, the charter of the Stock Option Compensation Committee provides that it shall consider, review and approve the long-term compensation of officers and key employees of U.S. Cellular, involving the grant of stock options, stock appreciation rights ("SARs") and other long-term compensation or compensation based on performance under U.S. Cellular's stock option or other long-term compensation or incentive plans. The charter also provides that the committee shall consider, approve and recommend to the board of directors any new stock option or other long-term compensation or incentive plans and

the amendment or termination of U.S. Cellular's existing stock option or other long-term compensation or incentive plans.

Under its charter, the Stock Option Compensation Committee may delegate its power and authority to the Chairman of U.S. Cellular or any executive officer of U.S. Cellular or as otherwise permitted by any applicable long-term incentive plan, except that the Stock Option Compensation Committee may not delegate its power and authority with respect to the long-term compensation of executive officers of U.S. Cellular who are subject to the requirements of Section 16 of the Securities Exchange Act of 1934, as amended, or as otherwise provided in any applicable long-term incentive plan. The Stock Option Compensation Committee has not delegated any authority with respect to the officers identified in the below Summary Compensation Table. The Stock Option Compensation Committee has delegated authority to the Chairman or an executive officer of U.S. Cellular only with respect to persons who are not officers.

As discussed above, the Chairman and Stock Option Compensation Committee may also rely on the services of U.S. Cellular's compensation and employee benefits consultant.

### **Objectives and Reward Structure of U.S. Cellular's Compensation Programs**

The above Overview generally describes the objectives and reward structure of U.S. Cellular's compensation programs. This section further discusses, with respect to the officers identified in the Summary Compensation Table, (1) the objectives of U.S. Cellular's compensation programs and (2) what the compensation programs are designed to reward.

The objectives of U.S. Cellular's compensation programs for executive officers of U.S. Cellular, and their relationship to the reward structure, generally are to:

support U.S. Cellular's overall business strategy and objectives;

attract and retain high quality management;

link individual compensation with attainment of individual performance goals and with attainment of business unit and U.S. Cellular objectives; and

provide competitive compensation opportunities consistent with the financial performance of U.S. Cellular.

The primary financial focus of U.S. Cellular is the increase of long-term shareholder value through growth, measured primarily in such terms as customer additions, customer disconnects, revenues, cash flow and return on capital. Compensation decisions are made subjectively, considering these performance measures, as well as all other appropriate facts and circumstances. U.S. Cellular's compensation policies for executive officers are designed to reward the achievement of such corporate performance goals, as discussed below.

U.S. Cellular's compensation programs are designed to reward for the performance of U.S. Cellular on both a short-term and long-term basis. With respect to the officers identified in the Summary Compensation Table, the design of compensation programs and performance rewarded is similar but with some differences for (1) the President and CEO and (2) the other executive officers.

The non-equity compensation of the President and CEO of U.S. Cellular is approved by the Chairman, LeRoy T. Carlson, Jr., functioning as the compensation committee. The Chairman evaluates the performance of the President and CEO of U.S. Cellular in light of the annual and ongoing objectives for U.S. Cellular and the attainment of those objectives, and sets, or, with respect to equity compensation, recommends to the Stock Option Compensation Committee, the elements of compensation for the President and CEO based on such performance evaluation and compensation principles, as discussed below.

With respect to the officers identified in the Summary Compensation Table other than the President and CEO, the Chairman reviews the President's evaluation of the performance of such executive officers and sets the annual base and bonus compensation levels for such executive officers, and recommends long-term compensation to the Stock Option Compensation Committee based on such performance evaluations and compensation principles, as discussed below.





**Elements of Compensation**

This section discusses, with respect to the officers identified in the Summary Compensation Table, (i) each element of compensation paid to such officers, (ii) why U.S. Cellular chooses to pay each element of compensation, (iii) how U.S. Cellular determines the amount or formula for each element to pay and (iv) how each compensation element and U.S. Cellular's decisions regarding that element fit into U.S. Cellular's overall compensation objectives and affect decisions regarding other elements.

Each element of compensation paid to officers is as follows:

Annual Cash Compensation

- o Salary
- o Bonus

Long-term equity compensation pursuant to Long-Term Incentive Plan

- o Stock Awards
  - Bonus Stock Unit Match Awards
  - Restricted Stock Unit Awards, sometimes referred to as "RSUs"
- o Stock Options

Other Benefits and Plans Available to Identified Officers

- o Deferred Compensation
- o SERP
- o Perquisites

Other Generally Applicable Benefits and Plans

- o Employee Stock Purchase Plan
- o Tax Deferred Savings Plan
- o Pension Plan

o

Health and Welfare Plans

U.S. Cellular chooses to pay or provide these elements of compensation, considering common compensation practices of peers and other companies with similar characteristics, in order to support U.S. Cellular's overall business strategy and objectives. U.S. Cellular recognizes that it must compensate its executive officers in a competitive manner comparable to other similar companies in order to attract and retain high quality management, attain business objectives and financial performance and increase shareholder value. Executive compensation is intended to provide an appropriate balance between the long-term and short-term performance of U.S. Cellular, and also a balance between U.S. Cellular's financial performance and shareholder return.

Each element of compensation and total compensation is determined or recommended on the basis of an analysis of multiple factors rather than specific measures of performance. U.S. Cellular has not established permanent guidelines or formulae to be used in determining annual executive compensation or the mix of compensation elements. Instead, each year, based on input from its compensation consultant, including compensation survey information, U.S. Cellular develops a compensation program for that year and establishes elements of compensation and determines how they fit together overall and in the manner described in the following discussion.

As noted above, the elements of executive compensation consist of both annual cash and long-term equity compensation. Annual cash compensation consists of base salary and an annual bonus. Annual compensation decisions are based partly on individual and corporate short-term performance and partly on the individual and corporate cumulative long-term performance during the executive's tenure in his or her position, particularly with regard to the President and CEO. Long-term equity compensation is

intended to compensate executives primarily for their contributions to long-term increases in shareholder value and is generally provided through the grant of stock options and restricted stock units.

The process of approving or recommending the elements of compensation begins with an evaluation of the appropriate compensation elements for each officer, based on the particular duties and responsibilities of the officer, as well as compensation elements for comparable positions at other companies in the telecommunications and other industries. See "Benchmarking" below.

The Chairman and Stock Option Compensation Committee also have access to numerous performance measures and financial statistics prepared by U.S. Cellular. This financial information includes the audited financial statements of U.S. Cellular, as well as internal financial reports such as budgets and actual results, operating statistics and other analyses. They also may consider such other factors that they deem appropriate in making their compensation recommendations or decisions. Ultimately, it is the informed judgment of the Chairman and/or the Stock Option Compensation Committee, after reviewing the compensation information provided by the Senior Vice President and Chief Human Resource Officer of U.S. Cellular and considering the recommendation of the President and/or Chairman, that determines the elements of compensation for executive officers.

Annually, the President recommends the base salary for the named executive officers other than the President, and the Chairman approves such base salaries and determines the base salary of the President. The 2008 rows under column (c), "Salary," in the below Summary Compensation Table include the dollar value of base salary (cash and non-cash) earned by the identified officers during 2008, whether or not paid in such year.

In addition, the President recommends the annual bonus for the named executive officers other than the President, and the Chairman approves such bonuses and determines the bonus of the President, as discussed below. The 2008 rows under column (d), "Bonus," of the below Summary Compensation Table, represent the dollar value of bonus (cash and non-cash) earned by the identified officers during 2008, whether or not paid in such year. Bonuses for 2007 performance were not earned by the officers until they were approved and awarded in 2008. As a result, bonuses with respect to 2007 performance are included in the below Summary Compensation Table in the 2008 rows.

The Stock Option Compensation Committee also annually determines long-term equity compensation awards to the named executive officers under the U.S. Cellular 2005 Long-Term Incentive Plan, which awards generally have included stock options, restricted stock units and bonus match units.

The named executive officers received an award of restricted stock units in 2008 based on the achievement of certain levels of corporate and individual performance in 2007, as discussed below. The 2008 rows under column (e), "Stock Awards," of the Summary Compensation Table include the dollar amounts of expense recognized for financial statement reporting purposes with respect to 2008. Officers may also receive bonus match units, as discussed below.

The named executive officers also received an award of stock options in 2008 based primarily on the achievement of certain levels of individual performance in 2007, as discussed below. The 2008 rows under column (f), "Option Awards," of the Summary Compensation Table include the dollar amounts of expense recognized for financial statement reporting purposes with respect to 2008.

Grants of equity awards to the President and CEO and the other executive officers are generally made at the same time each year. U.S. Cellular generally grants equity awards other than bonus match units on the first business day in April each year. U.S. Cellular grants bonus match units on the date that annual bonus amounts are paid each year. U.S. Cellular may also make grants of equity awards during other times of the year as it deems appropriate. U.S. Cellular does not backdate stock options and does not have any program, plan or practice to time the grant of awards in coordination with the release of material non-public information. The exercise price of stock options is based on the closing price on the date of grant.

The Chairman and the Stock Option Compensation Committee do not consider an officer's outstanding equity awards or stock ownership levels when determining the value of the long-term

incentive award component of such officer's compensation because they consider outstanding equity awards to represent compensation for past services.

Performance targets are intended to promote growth without encouraging officers to take unnecessary and excessive risks that might threaten the value of U.S. Cellular. U.S. Cellular does not have incentive plans pursuant to which officers become entitled to compensation as a result of the achievement of a certain level of performance regardless of the risk undertaken. Instead, all compensation is discretionary and, as a result, could be reduced or not awarded if an officer caused U.S. Cellular to undertake unauthorized risk. In any event, U.S. Cellular believes that its controls and monitoring would not permit officers to undertake unauthorized risk.

### **Benchmarking**

U.S. Cellular engages in benchmarking using surveys from Towers Perrin as described below.

For annual cash compensation for the named executive officers other than the President and CEO, Towers Perrin completed a job specific market pay analysis of U.S. Cellular's executive officers base pay. Executive officer positions were compared and matched to survey positions based on current role responsibilities. The source of market data was the 2007 Towers Perrin Executive Compensation Database. Competitive cash compensation data (base salaries) are from general industry (not industry specific), and represent data for stand-alone companies of U.S. Cellular's revenue size. Competitive pay levels were determined through regression analysis, a statistical technique that considers the relationship between revenue responsibility and compensation. U.S. Cellular's projected revenues of \$4.0 billion were used for executive officer positions.

In addition, for the 2008 annual equity compensation awards, market benchmark data was obtained from the Towers Perrin 2007 Compensation Data Bank Executive Compensation Database. The database contained 429 companies that represented a diverse range of companies across all industries, including companies from the telecommunications, electronics, manufacturing and consumer products sectors. For comparison purposes, Towers Perrin provided market benchmark data based on a blended average basis with 67% of the total based on telecommunications industry data and 33% based on general industry data contained in the database. In addition, the benchmark data provided was based on only those companies that had approximate annual revenues in the \$3 billion to \$6 billion revenue range. This database was used to benchmark the equity compensation awards to the named executive officers, and also for the annual cash compensation of the President and CEO of U.S. Cellular.

U.S. Cellular believes that the Towers Perrin databases provide a reasonably accurate reflection of the competitive market for annual cash compensation and long-term equity incentives necessary to compensate and retain current executives and attract future executives to positions at U.S. Cellular. In addition, U.S. Cellular believes this methodology is more statistically valid than solely benchmarking these elements of compensation to the peer group of companies used for calculating the Stock Performance Graph in the Annual Report to Shareholders.

U.S. Cellular reviews or considers this broad-based third-party survey for only general purposes, including to obtain a general understanding of current compensation practices. U.S. Cellular, the Chairman and the Stock Option Compensation Committee rely upon and consider to be material only the aggregated survey data prepared by Towers Perrin. The identities of the individual companies included in the survey are not considered in connection with any individual compensation decisions because this information is not considered to be material.

U.S. Cellular also considers the companies in the peer group index included in the "Stock Performance Graph" that is included in the U.S. Cellular annual report to shareholders, as discussed below, as well as other companies in the telecommunications industry and other industries, to the extent considered appropriate, based on similar size, function, geography or otherwise. This information is used to generally understand the market for general compensation arrangements for executives, but is not used for benchmarking purposes.

U.S. Cellular selected the Dow Jones U.S. Telecommunications Index, a published industry index, for purposes of the performance graph in 2007 and 2008. As of December 31, 2007, the Dow Jones U.S.

Telecommunications Index was composed of the following companies: AT&T Inc., CenturyTel Inc., Cincinnati Bell Inc., Citizens Communications Co. (Series B), Embarq Corp., IDT Corp. (Class B), Leap Wireless International Inc., Leucadia National Corp., Level 3 Communications Inc., MetroPCS Communications Inc., NII Holdings Inc., Qwest Communications International Inc., RCN Corp., Sprint Nextel Corp., Telephone and Data Systems, Inc. (TDS and TDS.S), Time Warner Telecom, Inc., U.S. Cellular, Verizon Communications Inc., Virgin Media Inc. and Windstream Corp. As of December 31, 2008, this index also includes Frontier Communications Corp. but no longer includes Citizens Communications Co. or IDT Corp.

### Company Performance

The degree to which performance measures and objectives were achieved are discussed below separately for those that are stated in quantitative terms and separately for those that are stated in non-quantitative terms.

The achievement levels of objectives and performance measures that are stated in quantitative terms and the assessment of how well U.S. Cellular did as a whole during the year includes primarily the performance measures used in connection with the bonus plan discussed below and, potentially to a lesser degree, other performance measures as well.

Each year, U.S. Cellular calculates an overall percentage of U.S. Cellular performance based on its Executive Bonus Plan. The following performance measures are considered in evaluating the achievements of the eligible participants for purposes of the Executive Bonus Plan: Consolidated Cash Flow; Consolidated Revenue; Postpay Customer Disconnects; Return on Capital; and Customer Addition Equivalents.

The following table shows the calculation of the overall performance percentage for 2007 based on the 2007 Executive Bonus Plan for bonuses approved and paid in 2008. The below amounts cannot be derived from the financial statements. The results of markets that are owned but not managed by U.S. Cellular are not included in the below amounts. The Actual and Target results include only the results of markets that are managed by U.S. Cellular and over which U.S. Cellular officers have influence.

<b>Performance Measures</b>	<b>Actual Results for 2007</b>	<b>Final Adjusted Target for 2007</b>	<b>Actual as a % of Target</b>	<b>Minimum Achievement of Target (%) for Payout (Threshold)</b>	<b>Prorated % of Target Bonus Earned</b>	<b>Weight</b>	<b>Weighted Avg % of Target Bonus</b>
<b>Consolidated Cash Flow</b> (in millions)	\$ 1,067.3	\$ 1,100.5	97.0%	90.0%	81.9%	17.5%	14.3%
<b>Consolidated Revenue</b> (in millions)	\$ 3,852.6	\$ 3,725.2	103.4%	95.0%	168.39%	20.0%	33.7%
<b>Postpay Customer Disconnects</b> (in thousands)*	858	876	97.9%	110.0%	121.2%	20.0%	24.2%
<b>Return on Capital Percent</b>	7.15%	7.93%	90.1%	85.0%	60.9%	25.0%	15.2%
<b>Gross Customer Addition Equivalents</b> (in thousands)	1,244	1,364	91.2%	92.0%	0.00%	17.5%	0.0%
<b>Overall Company Performance</b> (prorated % of target bonus)						100.0%	87.5%

\*  
Lower number is better.

As shown above, the minimum threshold was achieved for all targets for 2007 except with respect to Gross Customer Addition Equivalents.

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

The overall average percentage achieved with respect to 2007 was calculated to be 87.5%. Nevertheless, the entire amount of the bonus pool is discretionary and subject to approval by the Chairman. Pursuant to this discretionary authority, the Chairman adjusted the overall bonus pool to 107.0% of target. This was done because U.S. Cellular had a number of key accomplishments in 2007, including the year-to-year change in Gross Customer Additions which was favorable compared to performance by the national carriers.

The achievement levels of objectives and performance measures that are stated in non-quantitative terms are discussed below under Performance Objectives and Accomplishment.

### Performance Objectives and Accomplishments

In addition to Company and/or business unit performance, the Chairman and the President consider personal objectives and performance. The personal objectives that the President considered in his evaluation of each of the named executive officers other than the President are almost entirely composed of team objectives of the management group. There was no minimum level of achievement of any of those objectives required before salary could be increased. The following identifies the significant objectives as well as the accomplishment of these objectives in 2007 relating to the bonus earned and paid in 2008. The Chairman also considered these team objectives and performance in his evaluation of the President, as discussed below.

U.S. Cellular did not fully achieve its target for Consolidated Cash Flow. However, the Chairman considered that the company achieved growth of 18.5% in 2007 over 2006.

U.S. Cellular over-achieved with respect to its target for Consolidated Revenue.

U.S. Cellular over-achieved with respect to its target for Postpay Customer Disconnects.

U.S. Cellular did not fully achieve its target for Return on Capital Percent. However, the Chairman considered that the company achieved improvement to 7.93% in 2007 from 6.26% in 2006.

U.S. Cellular did not achieve its target for Gross Customer Addition Equivalents. However, the Chairman considered that the company achieved growth of 3.1% in 2007 over 2006.

U.S. Cellular strengthened its competitive positioning in the market with the launch of several new products and services, the introduction of 21 new handset devices and the completion of almost 300 retail and agent store builds, remodels and redesigns.

U.S. Cellular improved its network coverage, capacity and performance through the addition of 441 new cell sites, upgrades to all of its switches and other enhancements.

U.S. Cellular won the J.D. Power and Associates Award for overall call quality among wireless telephone users in the North Central Region for the fourth consecutive reporting period.

U.S. Cellular's retail postpay churn of 1.43%, which was improved from 1.56% in 2006.

Total service ARPU of \$51.13 increased by \$3.90 or 8.3% from the 2006 level.

U.S. Cellular demonstrated progress and improved results in certain of its recently launched markets.

Each of Steven T. Campbell, Jay M. Ellison, Michael S. Irizarry and Jeffrey J. Childs was considered to have made a significant contribution to the aforementioned performance achievements and, accordingly, each such named executive officer was considered to far exceed

expectations.



## Annual Cash Compensation

Annually, the Chairman determines the President and CEO's base salary. With respect to the other executive officers, the President recommends and the Chairman approves annually each such executive officer's base salary based on his evaluation of the performance of U.S. Cellular and each executive officer. In connection with the foregoing, the President and/or Chairman consider such factors and circumstances as they may deem relevant, as discussed below.

Significant facts and circumstances that the Chairman considered in approving the annual cash compensation of all of the named executive officers, and that the President considered in recommending the annual cash compensation of the named executive officers other than the President, are as follows: the fact that U.S. Cellular is a public company; the fact that U.S. Cellular is primarily a regional competitor and that some of its competitors are national or global telecommunications companies that are much larger than U.S. Cellular, possess greater resources, possess more extensive coverage areas and more spectrum within some coverage areas, and market other services with their communications services that U.S. Cellular does not offer; U.S. Cellular's performance in 2007, as discussed above; the performance objectives and achievements and the extent to which the officer was considered to have contributed to such achievements in 2007, as discussed above; the publicly-available benchmark information of cash compensation of U.S. Cellular's publicly-held peers and other publicly-held companies, as discussed above; certain ranges and metrics for the individual officers based on such benchmarks, as discussed below; and the overall views and feedback of U.S. Cellular personnel. In addition, the President and/or Chairman considered additional facts and circumstances with respect to each of the named executive officers as discussed below.

The Chairman uses the above sources and makes a determination of appropriate ranges of base salary for each named executive officer, based on the recommendations of the President of U.S. Cellular with respect to all named executive officers other than the President of U.S. Cellular. The base salary of each executive officer is set at a level considered to be appropriate in the judgment of the Chairman based on an assessment of the responsibilities and performance of such executive officer, taking into account the facts and circumstances discussed above. No specific performance measures are determinative in the base salary compensation decisions of executive officers. Instead, all such facts and circumstances are taken into consideration by the President and the Chairman in their executive compensation decisions. Ultimately, it is the informed judgment of the Chairman based on the recommendation of the President that determines an executive officer's base salary based on the total mix of information rather than on any specific measures of performance.

The following discusses annual cash compensation with respect to each of the named executive officers.

### *Base Salary*

*President and CEO.* The 2007 base salary of John E. Rooney was \$790,000. On February 21, 2008, the Chairman approved an increase in the base salary of John E. Rooney to \$855,000 for 2008, representing an increase of approximately 8.2%.

The range considered to be appropriate in the judgment of the Chairman in approving John E. Rooney's base salary for 2008 as President was approximately \$780,000 to \$935,000. This range was based on a survey from U.S. Cellular's compensation consultant, Towers Perrin, and represented the 50<sup>th</sup> to 75<sup>th</sup> percentiles, respectively, of a population of comparable base salaries. The population of comparable base salaries was comprised one-half of the base salaries of the chief executive officers of public companies and one-half of the base salaries of the chief executive officers of subsidiaries of publicly-held companies, similar in size to U.S. Cellular, recognizing the fact that U.S. Cellular is both a public company as well as a subsidiary of a public company. See "Benchmarking" above. The base salary approved for Mr. Rooney for 2008 of \$855,000 was approximately 110% of the 50<sup>th</sup> percentile salary. The salary of the President and CEO is believed to be within the median of the range considered to be appropriate in the judgment of the Chairman.

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

The Chairman also considered the achievement levels of objectives and performance measures that are stated in quantitative terms and the assessment of how well U.S. Cellular did as a whole during the year. As discussed above, the adjusted overall Company performance was 107% of target. See "Company Performance" above.

The Chairman also considered the extent to which the President contributed to U.S. Cellular's performance. As the President and Chief Executive Officer of U.S. Cellular, John E. Rooney is the principal executive officer of U.S. Cellular and supervises and controls all of the business and affairs of U.S. Cellular. As a result, Mr. Rooney is primarily responsible for the performance of U.S. Cellular.

The Chairman also considered the achievement of objectives and performance measures that are stated in non-quantitative terms (and the level of achievement of such objectives and measures), which include the same items as discussed under "Performance Objectives and Accomplishments" above. There was no minimum level of achievement of those objectives required before salary could be increased. As the President and Chief Executive Officer of U.S. Cellular, Mr. Rooney is primarily responsible for such objectives and accomplishments, as discussed above.

The Chairman also considered the general facts and circumstances discussed above under "Annual Cash Compensation." Additional significant facts and circumstances that the Chairman considered in determining John E. Rooney's annual cash compensation are as follows: Mr. Rooney's position and the fact that, as President and Chief Executive Officer, Mr. Rooney is primarily responsible for the performance of U.S. Cellular; the fact that Mr. Rooney has held this position and has been employed by U.S. Cellular since 2000; and the Chairman's view that Mr. Rooney significantly contributed to the growth and development of U.S. Cellular since that time and the performance of U.S. Cellular since that time.

For disclosure purposes, the base salary of the President and CEO for 2009 was increased to \$882,000, representing an increase of approximately 3% over the 2008 base salary. This will be reflected in next year's proxy statement.

*Other Named Executive Officers.* The base salary of each of the other named executive officers is also believed to be within the median of the range considered to be appropriate in the judgment of the Chairman. The ranges considered to be appropriate in the judgment of the Chairman in approving the base salary of the other named executive officers was based on a survey from U.S. Cellular's compensation consultant, Towers Perrin, and represented the 25<sup>th</sup> to the 75<sup>th</sup> percentiles of a population of comparable base salaries based on current role responsibilities. See "Benchmarking" above. In addition, see generally "Company Performance", "Performance Objectives and Accomplishments" and "Annual Cash Compensation" above for other factors considered in setting the annual base salary. The following discusses the annual base salary with respect to each of the other named executive officers.

*Executive Vice President, Chief Financial Officer and Treasurer.* Steven T. Campbell's base salary effective March 1, 2007 was \$377,881. The range considered to be appropriate for him for 2008 in his capacity as Executive Vice President, Chief Financial Officer and Treasurer was approximately \$415,000 to \$575,000 based on the benchmarking survey discussed above. The median of this range is approximately \$490,000. Mr. Campbell's base salary was increased to \$423,000 or by 12% effective March 1, 2008, reflecting his rating of far exceeds expectations for the reasons discussed above and his additional responsibilities as Executive Vice President, Chief Financial Officer and Treasurer. The amount reported in the Summary Compensation Table represents two months at the prior salary and ten months at the new salary, or a total of \$415,480.

Additional significant facts and circumstances that the President and Chairman considered in determining Steven T. Campbell's annual cash compensation are as follows: Mr. Campbell's responsibilities as Executive Vice President, Chief Financial Officer and Treasurer of U.S. Cellular; the fact that Mr. Campbell has held these offices since January 1, 2007 and that prior to that time was employed by U.S. Cellular as its Vice President and Controller since June 1, 2005; and the President's and Chairman's subjective views regarding Mr. Campbell's contributions in such capacities to U.S. Cellular during that time.

For disclosure purposes, Mr. Campbell's base salary effective March 1, 2009 was increased to \$439,920. This will be reflected in the Summary Compensation Table in next year's proxy statement.

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

*Executive Vice President and Chief Operating Officer.* Jay M. Ellison's base salary effective March 1, 2007 was \$508,464. The range considered to be appropriate for him for 2008 in his capacity as Executive Vice President and Chief Operating Officer was approximately \$435,000 to \$645,000 based on the benchmarking survey discussed above. The median of this range is approximately \$530,000. Mr. Ellison's base salary was increased to \$549,000 or by 8% effective March 1, 2008, reflecting his rating of far exceeds expectations for the reasons discussed above. The amount reported in the Summary Compensation Table represents two months at the prior salary and ten months at the new salary, or a total of \$542,244.

Additional significant facts and circumstances that the President and Chairman considered in determining Jay M. Ellison's annual cash compensation are as follows: Mr. Ellison's position and responsibilities as Executive Vice President and Chief Operating Officer of U.S. Cellular; the length of time that Mr. Ellison has held this position and his employment by U.S. Cellular since 2000; and the President's and Chairman's subjective views regarding Mr. Ellison's contributions in such capacity to U.S. Cellular during that time.

For disclosure purposes, Mr. Ellison's base salary effective March 1, 2009 was increased to \$565,470. This will be reflected in the Summary Compensation Table in next year's proxy statement.

*Executive Vice President and Chief Technical Officer.* Michael S. Irizarry's base salary effective March 1, 2007 was \$460,000. The range considered to be appropriate for him for 2008 in his capacity as Executive Vice President and Chief Technical Officer was approximately \$360,750 to \$487,500 based on the benchmarking survey discussed above. The median of this range is approximately \$419,250. Mr. Irizarry's base salary was increased to \$496,800 or by 8% effective March 1, 2008, reflecting his rating of far exceeds expectations for the reasons discussed above. In addition, the base pay increase for Mr. Irizarry reflects the addition of all Information Systems (IS) responsibilities to his existing engineering and network operation responsibilities and takes into consideration his performance and accomplishments since taking on such additional IS responsibilities. The amount reported in the Summary Compensation Table represents two months at the prior salary and ten months at the new salary, or a total of \$490,667.

Additional significant facts and circumstances that the President and Chairman considered in determining Michael S. Irizarry's annual cash compensation are as follows: Mr. Irizarry's position and responsibilities as Executive Vice President and Chief Technical Officer of U.S. Cellular; his increased IS responsibilities; the length of time that Mr. Irizarry has held his position and his employment by U.S. Cellular since 2002; and the President's and Chairman's subjective views regarding Mr. Irizarry's contributions in such capacities to U.S. Cellular during that time.

For disclosure purposes, Mr. Irizarry's base salary effective March 1, 2009 was increased to \$511,704. This will be reflected in the Summary Compensation Table in next year's proxy statement.

*Senior Vice President and Chief Human Resources Officer.* Jeffrey J. Childs' base salary effective March 1, 2007 was \$377,881. The range considered to be appropriate for him for 2008 in his capacity as Senior Vice President and Chief Human Resources Officer was approximately \$280,000 to \$385,000 based on the benchmarking survey discussed above. The median of this range is approximately \$330,000. Mr. Childs' base salary was increased to \$408,000 or by 8% effective March 1, 2008, reflecting his rating of far exceeds expectations for the reasons discussed above. The amount reported in the Summary Compensation Table represents two months at the prior salary and ten months at the new salary, or a total of \$402,980.

Additional significant facts and circumstances that the President and Chairman considered in determining Jeffrey J. Childs' annual cash compensation are as follows: Mr. Childs' position and responsibilities as Senior Vice President and Chief Human Resources Officer of U.S. Cellular; the length of time that Mr. Childs' has held this position and his employment by U.S. Cellular since 2004; and the President's and Chairman's subjective views regarding Mr. Childs' contributions in such capacity to U.S. Cellular during that time.

For disclosure purposes, Mr. Childs' base salary effective March 1, 2009 was increased to \$420,240. This will be reflected in the Summary Compensation Table in next year's proxy statement.

*Bonus*

On August 8, 2007, the U.S. Cellular 2007 Executive Officer Annual Incentive Plan Effective January 1, 2007 ("Executive Bonus Plan") was approved by the Chairman, who does not participate in such incentive plan. This bonus plan measures performance with respect to 2007, relating to bonuses paid in 2008. A copy of this plan was filed with the SEC on a Form 8-K dated August 8, 2007.

The purposes of the Executive Bonus Plan are: to provide incentive for the officers of U.S. Cellular to extend their best efforts toward achieving superior results in relation to key business measures; to reward U.S. Cellular's executive officers in relation to their success in meeting and exceeding the performance targets; and to help U.S. Cellular attract and retain talented leaders in positions of critical importance to the success of U.S. Cellular. Eligible participants in the Executive Bonus Plan are executive vice presidents and senior vice presidents of U.S. Cellular. Each participant's target incentive is expressed as a percentage of base salary.

The Executive Bonus Plan and other officer bonus plans of U.S. Cellular are discretionary in nature and are based, in part, on company performance, and individual bonus targets, which contribute to the formation and size of an aggregate bonus pool for all U.S. Cellular officers. This officer bonus pool is determined by taking each officer's target annual bonus payout (calculated as a percentage of the officer's annual base salary) multiplied by the company / regional performance percentage attainment number achieved under the applicable officer bonus plan. The President and CEO will consider the performance factors (see below) and any other information he deems relevant in determining the amount available under the bonus pool. This pool is not earned, nor are payouts vested until the bonus payout date.

The following performance measures, using weights and definitions as approved by the Chairman, will be considered in evaluating the achievements of the executive officer team for the purposes of this plan: Consolidated Cash Flow; Consolidated Revenue; Postpay Customer Disconnects; Return on Capital; and Customer Addition Equivalents.

U.S. Cellular sets target levels for such measures at levels that it believes are achievable with above average performance. U.S. Cellular believes it would require superior performance to achieve 200% of the target levels, which is the maximum for each factor and the plan. Nevertheless, although such performance measures may impact the amount of bonus an officer receives, all officer bonuses are discretionary, and individual performance and other factors contribute to the amount of bonus an officer receives. The President and CEO may consider the performance factors and any other information he deems relevant in determining the bonus. Bonuses are not earned, nor are payouts vested until a bonus has been approved and paid to an officer. As a result, the performance measures are one category of the factors used in determining the bonus, but do not entitle the officer to any bonus until awarded. In addition, a bonus can be awarded based on judgment even if the performance measures are not met. Although performance measures influence the decision of the amount of the bonus, the entire amount of the bonus is discretionary and cannot be calculated in advance of approval and payment to the officer.

The President and CEO determines the actual payout that each officer will receive allocating the bonus pool among officers as he deems appropriate, and is not bound to adhere to any guideline, including any of the identified performance measures. However, the sum of all participants' actual awards may not deviate from the amount of the total officer pool by more than plus or minus 18%. In addition, the Chairman approves all officer bonuses prior to payout.

As noted above, the overall percentage achieved with respect to 2007 was calculated to be 87.5%. Nevertheless, the entire amount of the bonus pool is discretionary and subject to approval by the Chairman. Pursuant to this discretionary authority, the Chairman increased the overall bonus pool to 107% of target. This was approved by the Chairman because U.S. Cellular had a number of key accomplishments in 2007, including the year-to-year change in Gross Customer Additions which was favorable compared to performance by the national carriers.

The following shows certain information with respect to each named executive officer other than the President relating to the amount of the bonus relating to 2007 performance (paid in 2008) showing the

Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

amount of bonus awarded as a result of the achievement of the above performance measures and the amount awarded on a discretionary basis on an individual basis:

	<b>Steven T. Campbell</b>	<b>Jay M. Ellison</b>	<b>Michael S. Irizarry</b>	<b>Jeffrey J. Childs</b>
Base salary 3/1/07 - 2/28/08	\$ 377,881	\$ 508,464	\$ 460,000	\$ 377,881
Target bonus percentage	50%	60%	45%	40%
<b>Target Bonus</b>	<b>\$ 188,941</b>	<b>\$ 305,078</b>	<b>\$ 207,000</b>	<b>\$ 151,152</b>
Allocation of 87.5% of bonus pool based on achievement of performance measures in 2007	\$ 165,323	\$ 266,944	\$ 181,125	\$ 132,258
Discretionary adjustment of bonus pool to 107%	36,843	59,490	40,365	29,475
Discretionary individual bonus adjustment	49,834	74,566	53,510	42,267
<b>Total</b>	<b>\$ 252,000</b>	<b>\$ 401,000</b>	<b>\$ 275,000</b>	<b>\$ 204,000</b>

The discretionary individual adjustments were made based on the achievement of the team performance objectives discussed above under Performance Objectives and Accomplishments.

For disclosure purposes, the amount of bonus paid on March 13, 2009 with respect to 2008 performance is as follows:

	<b>Steven T. Campbell</b>	<b>Jay M. Ellison</b>	<b>Michael S. Irizarry</b>	<b>Jeffrey J. Childs</b>
<b>Total Bonus for 2008 paid in 2009</b>	<b>\$ 143,976</b>	<b>\$ 223,086</b>	<b>\$ 152,068</b>	<b>\$ 111,567</b>

The amounts of the bonus for 2008 paid in 2009 are only provided for disclosure purposes. These amounts were not earned until paid in 2009 and will be reported in next year's Summary Compensation Table with respect to 2009.

In addition, the Chairman determines annually the President and CEO's bonus.

There was no written bonus plan for the President for the bonus that was earned and paid in 2008. The bonus of the U.S. Cellular President was determined in a manner similar to the foregoing, but with some differences. In addition to the factors described above for all executive officers in general, the Chairman considered total cash compensation paid to chief executive officers of other comparable companies, including those which are divisions or subsidiaries of parent companies. These companies included the peer companies included in the "Stock Performance Graph" in the 2008 annual report to shareholders and as discussed above under "Benchmarking".

No specific measures of performance were considered determinative with respect to the bonus of the President. As with the other executive officers, all facts and circumstances were taken into consideration by the Chairman in his executive compensation decisions for the President. Ultimately, it was the informed judgment of the Chairman that determined the bonus for the President.

With respect to the bonus determination for the President, the Chairman considered the achievement of the performance measures as discussed above for the other named executive officers. As noted therein, the percentage of overall achievement of the target bonus for 2007 was 87.5%, which was adjusted on a discretionary basis to 107%. This percentage was considered by the Chairman, but was not applied mechanically to calculate any portion of the President's bonus. The entire amount of the bonus is discretionary and the President and CEO does not become entitled to any amount of bonus as a result of performance measures or otherwise unless and until approved by the Chairman and paid.

The informal target for Mr. Rooney's bonus was 70% of his base salary for that year. Based on the 2007 base salary of \$790,000, Mr. Rooney's target bonus was \$553,000. Using a percentage of 107% of target, Mr. Rooney's bonus, prior to any discretionary individual adjustment, would be approximately \$591,710 if he participated in the Executive Bonus Plan. In determining the amount of the bonus for the President to be paid in 2008, the Chairman considered all facts and circumstances, personal objectives, achievement of such objectives, how well U.S. Cellular performed in the prior year, and the extent to



which the President contributed to U.S. Cellular's performance, as discussed above. Based on these factors, on February 21, 2008, the Chairman approved a bonus to John E. Rooney of \$675,000 with respect to 2007 performance. This was 122% of his target bonus amount reflecting U.S. Cellular's performance as discussed above and the Chairman's subjective views regarding Mr. Rooney's contributions to such performance and achievements in 2007.

On June 30, 2008, U.S. Cellular's Chairman approved an Executive Bonus Plan for 2008. A copy of this plan was filed with the SEC on a Form 8-K dated June 30, 2008. Performance and bonuses under this plan will be reflected in next year's proxy statement.

Beginning with the 2008 performance year relating to bonuses that were paid and earned in 2009, U.S. Cellular established performance guidelines and procedures for awarding bonuses to the President and CEO. These guidelines and procedures were filed by U.S. Cellular as Exhibit 10.1 to U.S. Cellular's Form 8-K dated November 19, 2008. These guidelines and procedures provide that the Chairman in his sole discretion determines whether an annual bonus will be payable to the President and CEO for a performance year and, if so, the amount of such bonus, and describes factors that may be considered by the Chairman in making such determination, including any factors that the Chairman in the exercise of his judgment and discretion determines relevant. The guidelines and procedures provide that no single factor will be determinative and no factor will be applied mechanically to calculate any portion of the bonus to the President and CEO. The entire amount of the bonus is discretionary. The guidelines and procedures provide that the President and CEO will have no right or expectation with respect to any bonus until the Chairman has determined whether a bonus will be paid for a performance year, and any such bonus is not earned or vested until the date the bonus is paid. The guidelines also provide that any bonus awarded with respect to a performance year will be paid during the period commencing on the January 1 immediately following the performance year and ending on the March 15 immediately following the performance year.

For disclosure purposes, the amount of bonus paid on March 13, 2009 with respect to 2008 performance to the President and CEO was \$410,000. The amount of the bonus for 2008 paid in 2009 is only provided for disclosure purposes. This amount was not earned until paid in 2009 and will be reported in next year's Summary Compensation Table with respect to 2009.

### **Long-Term Equity Compensation**

The Chairman recommends and the Stock Option Compensation Committee approves long-term equity compensation awards to the named executive officers under the U.S. Cellular 2005 Long-Term Incentive Plan, which awards generally have included stock options, restricted stock units and bonus match units.

Long-term compensation decisions for the named executive officers are evaluated in a manner similar to that described for annual base salary and bonus decisions above, except that the stock options and restricted stock units are generally intended to vest over several years, in order to reflect the goal of relating long-term compensation of the named executive officers to increases in shareholder value over the same period.

The Stock Option Compensation Committee may establish performance measures and restriction periods, and determine the form, amount and timing of each grant of an award, the number of shares of stock subject to an award, the purchase price or base price per share of stock associated with the award, the time and conditions of exercise or settlement of the award and all other terms and conditions of the award.

Although the Stock Option Compensation Committee has the discretion to grant various awards, it generally only grants service-based restricted stock units and service-based stock options. The restricted stock units generally vest in full (cliff vesting) on the third anniversary of the date of grant, subject to continued employment. Stock options are exercisable until the tenth anniversary of the date of grant, subject to continued employment. For several years prior to 2008, the stock options granted became exercisable with respect to 25% of the shares underlying the stock option each year over a four year

period. However, beginning with awards made in April 2008, stock options become exercisable with respect to 33 1/3% of the shares underlying the stock option each year over a three year period.

Officers receive an award of restricted stock units in the current year based on the achievement of certain levels of corporate and individual performance in the immediately preceding year and stock options based primarily on individual performance in the preceding year. However, all stock option and restricted stock unit awards are expensed over the applicable vesting periods.

The Stock Option Compensation Committee measured corporate and individual performance as follows to determine the amount of restricted stock units and stock options to award to the named executive officers in 2008. The following first discusses the general approach used for the named executive officers other than the President. Following that is a discussion of how this approach was modified with respect to the President.

The target allocation of long-term compensation awards in 2008 was 60% in stock options and 40% in restricted stock units for named executive officers other than the President. This allocation was based on information from U.S. Cellular's compensation consultant, Towers Perrin. See "Benchmarking" above.

Although the target allocation was based on such benchmark data, the stock option grant was adjusted by an officer performance multiple and the restricted stock unit award was adjusted by the officer performance multiple as well as a U.S. Cellular performance factor, as discussed below.

Based on information from Towers Perrin, the formula for determining the number of stock options to award was (a) 60% × the officer's March 1, 2008 salary × the officer performance multiple divided by (b) the product of (i) an option vesting discount factor and (ii) the Black Scholes value of an option on U.S. Cellular's stock based on the closing stock price on the grant date. This result was rounded to the nearest multiple of 25.

Based on information from Towers Perrin, the formula for determining the number of restricted stock units to award was (a) 40% × the officer's March 1, 2008 salary × the officer performance multiple × U.S. Cellular performance factor divided by (b) the product of (i) the value of a U.S. Cellular Common Share based on the closing stock price on the grant date and (ii) a vesting discount factor to account for forfeitures. The Company performance multiple used was 107% as discussed above.

The officer performance multiple represents a number based on information from Towers Perrin derived from benchmarking data from a population of companies that were 2/3 telecommunications companies and 1/3 general industry as discussed under "Benchmarking" above, provided that U.S. Cellular does not increase or decrease the multiple by more than 15% from the multiple used for the immediately preceding year. The amount of this multiple related to the officer's relative position in the Company and whether the officer's performance was considered to have failed to meet expectations, met expectations, exceeded expectations or far exceeded expectations. In 2007, all named executive officers were considered to have far exceeded expectations. The multiples based on information provided by Towers Perrin were intended to provide awards at the 50th percentile for an officer that meets expectations, at the 60th percentile for an officer who exceeds expectations and at the 65th percentile for an officer that far exceeds expectations. In recognition of the fact that U.S. Cellular's corporate parent provides certain administrative and similar services, the multiple actually used for far exceeds expectations for the named executive officers was set to be the same as the multiple for exceeds expectations at the 60th percentile. Based on information from Towers Perrin, the named executive officers other than the President were assigned the multiples disclosed below for the reasons disclosed below.

Steven T. Campbell's performance multiple was 1.67 based on information from Towers Perrin for an officer at Mr. Campbell's level and performance, which is intended to provide awards at the 60th percentile. Mr. Campbell's performance was considered to far exceed expectations as discussed above under Performance Objectives and Accomplishments.

Jay M. Ellison's performance multiple was 2.90 based on information from Towers Perrin for an officer at Mr. Ellison's level and performance, which is intended to provide awards at the 60th percentile.



Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

Mr. Ellison's performance was considered to far exceed expectations as discussed above under Performance Objectives and Accomplishments.

Michael S. Irizarry's performance multiple was 2.31 based on information from Towers Perrin for an officer at Mr. Irizarry's level and performance, which is intended to provide awards at the 60th percentile. Mr. Irizarry's performance was considered to far exceed expectations as discussed above under Performance Objectives and Accomplishments.

Jeffrey J. Childs' performance multiple was 1.67 based on information from Towers Perrin for an officer at Mr. Childs' level and performance, which is intended to provide awards at the 60th percentile. Mr. Childs' performance was considered to far exceed expectations as discussed above under Performance Objectives and Accomplishments.

As a result of the foregoing formulas and individual performance factors, the following stock options and restricted stock units were granted to the named executive officers other than Mr. Rooney in 2008:

Name	Number of Shares Underlying Stock Options	Number of Shares Underlying Restricted Stock Units
Steven T. Campbell	27,175	6,120
Jay M. Ellison	61,250	13,794
Michael S. Irizarry	44,150	9,943
Jeffrey J. Childs	26,225	5,903

The following shows the calculation of stock options and restricted stock units.

	Formula	Steven T. Campbell	Jay M. Ellison	Michael S. Irizarry	Jeffrey J. Childs	
a	March 1, 2008 Base Salary	\$ 423,000	\$ 549,000	\$ 496,800	\$408,000	
b	Performance Multiple	1.67	2.90	2.31	1.67	
c	Long Term Incentive Target Value	a × b	\$ 706,410	\$1,592,100	\$1,147,608	\$681,360
d	Option Value	c × 60%	\$ 423,846	\$ 955,260	\$ 688,565	\$408,816
e	Closing Stock Price on April 1, 2008	\$ 57.19	\$ 57.19	\$ 57.19	\$ 57.19	
f	Closing Price × Black-Scholes Ratio	e × 30%	\$ 17.16	\$ 17.16	\$ 17.16	\$ 17.16
g	Adj. Price × Option Vesting Discount Factor	f × 90.8%	\$ 15.57	\$ 15.57	\$ 15.57	\$ 15.57
h	Options Granted (rounded)	d / g	27,175	61,250	44,150	26,225
i	RSU Value	c × 40%	\$ 282,564	\$ 636,840	\$ 459,043	\$272,544
j	Company Performance %	107%	107%	107%	107%	
k	Adjusted RSU Value		\$ 302,343	\$ 681,419	\$ 491,176	\$291,622
l	Price × RSU Vesting Discount Factor	e × 86.4%	\$ 49.41	\$ 49.41	\$ 49.41	\$ 49.41
	RSUs Granted	k / l	6,120	13,794	9,943	5,903

John E. Rooney's stock option and restricted stock unit awards were made using a different approach compared to the calculations shown above for the other named executive officers.

The value of Mr. Rooney's target long-term incentive awards was based on benchmark information from Towers Perrin based on the combined value of stock option and restricted stock grants for comparable persons. As discussed above for the President's base salary, the population of comparable values of grants was comprised one-half of grant values for the chief executive officers of public companies and one-half of grant values for the chief executive officers of subsidiaries of publicly-held companies, similar in size to U.S. Cellular.

Mr. Rooney's target allocation is based on a long-standing fixed dollar target approach to this portion of his compensation. Mr. Rooney's fixed dollar target restricted stock unit value was \$411,290. This was multiplied by the adjusted Company Performance percentage of 107% to derive an adjusted



restricted stock unit value of approximately \$440,080. This amount was then divided by the closing stock price on April 1, 2008 of \$57.19. Based on this calculation, Mr. Rooney received an award of 7,698 restricted stock units in 2008.

Mr. Rooney's target allocation was approximately \$2,518,829 at the 50th percentile and \$2,828,641 at the 60th percentile (for outstanding performance) with respect to stock option grants in 2008. The target stock option awards would be approximately 126,700 at the 50th percentile and 142,300 at the 60th percentile. The Chairman recommended and the Stock Option Compensation Committee awarded Mr. Rooney stock options with respect to 136,000 shares in 2008, representing an award at approximately the 57th percentile for superior performance based on U.S. Cellular's performance in 2007 as discussed above and the Chairman's subjective views regarding Mr. Rooney's contributions to such performance and achievements in 2007.

The stock options and restricted stock units granted to Mr. Rooney in 2008 vested on October 1, 2008 pursuant to the executory portions of an offer letter which was accepted by Mr. Rooney on March 28, 2000 relating to his employment as President and Chief Executive Officer.

As with the annual salary and bonus, executive officers do not become entitled to any stock options or restricted stock units as a result of the achievement of any corporate or individual performance levels. The award of stock options and restricted stock units is entirely discretionary and executive officers have no right to any stock option or restricted stock unit awards unless and until they are awarded. As a result, the awards relating to 2007 performance were not earned by the executive officers until they were approved and awarded in 2008. Accordingly, awards with respect to 2007 performance are included in the Summary Compensation Table below with respect to compensation earned in 2008.

For disclosure purposes, the stock options and restricted stock unit awards granted on April 1, 2009 with respect to 2008 performance are as follows:

Name	Number of Shares Underlying Stock Options	Number of Shares Underlying Restricted Stock Units
John E. Rooney	175,000	6,634
Steven T. Campbell	27,725	4,633
Jay M. Ellison	61,650	10,305
Michael S. Irizarry	44,600	7,453
Jeffrey J. Childs	26,475	4,426

The foregoing amounts are only provided for disclosure purposes. These amounts were not earned until awarded in 2009 and will be reflected in next year's Summary Compensation Table with respect to 2009.

**Analysis of Compensation**

The following table identifies the percentage of each element of total compensation of each of the named executive officers based on the Summary Compensation Table for 2008:

	<b>John E. Rooney</b>	<b>Steven T. Campbell</b>	<b>Jay M. Ellison</b>	<b>Michael S. Irizarry</b>	<b>Jeffrey J. Childs</b>
Salary	20.0%	35.4%	23.9%	28.8%	33.0%
Bonus	15.8%	21.4%	17.7%	16.2%	16.7%
Stock Awards	18.0%	15.0%	22.4%	20.8%	19.2%
Stock Options	44.8%	25.3%	33.6%	31.5%	27.9%
Other	1.4%	2.9%	2.4%	2.7%	3.2%
	100.0%	100.0%	100.0%	100.0%	100.0%

The above percentages reflect the effects of SEC and accounting rules in computing total compensation, as discussed below.

The total 2008 compensation of the President and CEO pursuant to the Summary Compensation Table was \$4,277,435. The total 2008 compensation of the other named executive officers ranged from a high of \$2,267,361 to a low of \$1,187,786. The reasons for the disparities in compensation include: (1) the effects of SEC and accounting rules in computing total compensation, and (2) differences in U.S. Cellular's policies or decision-making regarding the executives' compensation.

U.S. Cellular does not consider the technicalities of when and how accounting expense is recorded under Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payments* (which we refer to as "FAS 123R") as relevant in its executive compensation decisions. Accordingly, the following table reconciles the compensation expense reported in the Summary Compensation Table using the FAS 123R expense of the awards to the amount of compensation that would be reported using the grant date values of awards instead:

	<b>John E. Rooney</b>	<b>Steven T. Campbell</b>	<b>Jay M. Ellison</b>	<b>Michael S. Irizarry</b>	<b>Jeffrey J. Childs</b>
<b>2008</b>					
Total per Summary Compensation Table	\$ 4,277,435	\$ 1,187,786	\$ 2,267,361	\$ 1,705,692	\$ 1,224,352
Less FAS 123R Expense for Stock Awards	(768,240)	(176,456)	(506,709)	(353,637)	(234,144)
Less FAS 123R Expense for Options	(1,917,477)	(297,684)	(760,619)	(535,710)	(340,585)
Total FAS 123R Expense for all Awards	(2,685,717)	(474,140)	(1,267,328)	(889,347)	(574,729)
Add Grant Date Value of Awards from Grants of Plan-Based Awards Table	2,554,451	733,146	1,652,448	1,191,115	707,341
Total Compensation using Grant Date Values	\$ 4,146,169	\$ 1,446,792	\$ 2,652,481	\$ 2,007,460	\$ 1,356,964

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

For comparison purposes, the following shows the total compensation for 2007 and 2006 calculated on a comparable basis:

2007					
Total Compensation using Grant					
Date Values	\$ 3,926,987	\$ 1,022,464	\$ 2,106,618	\$ 1,608,766	\$ 1,094,665
2006					
Total Compensation using Grant					
Date Values	\$ 3,311,762	N/A	\$ 1,442,796	\$ 1,009,249	\$ 879,698

As indicated above, if 2008 compensation is instead calculated using the grant date value of awards, rather than the FAS 123R expense of award, Mr. Rooney's total compensation for 2008 would have been \$4,146,169 and the total compensation for 2008 for the other named executive officers would have ranged from a high of \$2,652,481 to a low of \$1,356,964. Using this approach, Mr. Rooney's total compensation for 2008 is approximately 1.6 times the total compensation of the next highest compensated named executive officer with respect to 2008.

This disparity between the compensation of the President and the other named executive officers, and the disparities in compensation among the other named executive officers, can be explained by differences in U.S. Cellular's policies or decision-making regarding executive compensation. As noted herein, U.S. Cellular's overall compensation objectives are to (i) support U.S. Cellular's overall business strategy and objectives; (ii) attract and retain high quality management; (iii) link individual compensation with attainment of individual performance goals and with attainment of business unit and U.S. Cellular objectives; and (iv) provide competitive compensation opportunities consistent with the financial performance of U.S. Cellular. Also, as noted herein, U.S. Cellular determines the amount of compensation to pay or provide to each named executive officer considering compensation practices of peers and other companies with similar characteristics, in order to support U.S. Cellular's overall business strategy and objectives. As noted herein, U.S. Cellular recognizes that it must compensate its executive officers in a competitive manner comparable to similar companies in order to attract and retain high quality management, attain business objectives and financial performance and increase shareholder value. Considering the foregoing, U.S. Cellular recognizes that it needs to and believes that it should compensate the President and CEO at a level that considers the compensation of presidents and CEOs of similar companies, which compensation is higher than the compensation of other named executive officers of such companies. U.S. Cellular believes that this is necessary to attract and retain a highly qualified person to serve as President and CEO and to compete successfully against other companies. A level of compensation similar to that paid to the President and CEO is not necessary to attract and retain and is not appropriate for the other named executive officers. However, U.S. Cellular recognizes that it needs to and believes that it should compensate the other named executive officers at levels that reflect the compensation of similarly situated positions at similar companies in order to attract and retain high quality persons for such positions at U.S. Cellular. In addition, other factors have an impact on the amount of compensation of each particular executive officer, as discussed in detail above. For instance, an officer who far exceeds expectations would generally have a higher relative level of compensation for his particular function than an executive officer who did not exceed expectations, all other things being equal. Further discussion of the basis for compensation levels of the individual executive officers based on U.S. Cellular's performance, the executive officer's contribution to such performance, and the executive officer's individual performance is set forth elsewhere in this Compensation Discussion and Analysis.

The Chairman and the Stock Option Compensation Committee believe that the elements of compensation and total compensation of the named executive officers have been set at appropriate levels considering the foregoing principles.

### **Other Benefits and Plans Available to Identified Officers**

The identified executive officers participate in certain benefits and plans, as described below.

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

As noted above, U.S. Cellular's overall compensation objectives for executive officers are to (i) support U.S. Cellular's overall business strategy and objectives; (ii) attract and retain high quality management; (iii) link individual compensation with attainment of individual performance goals and with attainment of U.S. Cellular objectives; and (iv) provide competitive compensation opportunities consistent with the financial performance of U.S. Cellular.

To achieve these objectives, the Chairman and the Stock Option Compensation Committee believe that the named executive officers must be offered a competitive compensation package, including benefits and plans. U.S. Cellular's compensation packages are designed to compete with other companies for talented employees. U.S. Cellular's benefits and plans are part of this package and enable U.S. Cellular to attract and retain eligible employees, including the named executive officers. Thus, the benefits and plans fit into U.S. Cellular's overall compensation objectives primarily by helping U.S. Cellular achieve the second objective of U.S. Cellular's overall compensation objectives, which is to attract and retain high quality management. Benefits and plans are an important part of the mix of compensation used to attract and retain management, but do not otherwise significantly affect decisions relating to other elements of annual or long-term compensation, which are provided consistent with the above compensation objectives.

### **General Provisions under Plans and Certain Agreements**

#### *Deferred Salary and Bonus*

*Deferred Salary.* The named executive officers are permitted to defer salary pursuant to deferred salary compensation agreements. The entire amount of the salary earned is reported in the Summary Compensation Table in column (c) under "Salary," whether or not deferred. Pursuant to the agreement, the officer's deferred compensation account is credited with interest compounded monthly, computed at a rate equal to one-twelfth of the sum of the average twenty-year Treasury Bond rate plus 1.25 percentage points until the deferred compensation amount is paid to such person. As required by SEC rules, column (h) includes the portion of any interest that exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the time each monthly interest rate is set. The deferred compensation account of an officer is paid at the time and in the form elected by the officer, subject to any payment delay required by section 409A of the Internal Revenue Code.

Messrs. Rooney and Ellison are parties to deferred compensation agreements, pursuant to which they have deferred a specified portion of their salaries. The executive is always 100% vested in all salary amounts that have been deferred and any interest credited with respect thereto. Accordingly, the executive is entitled to 100% of the amount deferred and all earnings thereon upon any termination. Such amounts are reported in the Nonqualified Deferred Compensation table below and, because there would not be any increased benefit or accelerated vesting in the event of any termination or change in control, are not included in the below table of Potential Payments upon Termination or Change in Control.

*Deferred Bonus.* The named executive officers are also permitted to defer their bonuses pursuant to deferred bonus compensation agreements under the 2005 Long-Term Incentive Plan, as discussed below. The entire amount of the bonus earned is reported in the Summary Compensation Table in column (d) under "Bonus," whether or not deferred. Deferred bonus will be deemed invested in phantom U.S. Cellular Common Shares. The named executive officers receive a distribution of the deferred compensation account at the date elected by the officer, subject to any payment delay required by section 409A of the Internal Revenue Code.

Mr. Rooney and Mr. Ellison is each a party to an executive deferred compensation agreement, pursuant to which he has deferred a specified portion of his bonus in the current or prior years. The executive is always 100% vested in all bonus amounts that have been deferred. Such amounts are reported in the Nonqualified Deferred Compensation table and, because there would not be any increased benefit or accelerated vesting in the event of any termination or change in control, are not included in the below table of Potential Payments upon Termination or Change in Control.

*U.S. Cellular 2005 Long-Term Incentive Plan*

Long-term compensation awards under the U.S. Cellular 2005 Long-Term Incentive Plan were discussed above in this Compensation Discussion and Analysis. This plan was amended by the U.S. Cellular board of directors on March 17, 2009, subject to shareholder approval, to increase the number of shares that may be issued pursuant to such plan. See Proposal 3 above. The following provides certain additional information relating to deferred bonus, restricted stock units and stock options.

Pursuant to the U.S. Cellular 2005 Long-Term Incentive Plan, each officer may elect to defer all or a portion of his annual bonus. U.S. Cellular will allocate a match award to the employee's deferred compensation account in an amount equal to the sum of (i) 25% of the deferred bonus amount which is not in excess of one-half of the employee's gross bonus for the year and (ii) 33<sup>1</sup>/<sub>3</sub>% of the deferred bonus amount which is in excess of one-half of the employee's gross bonus for the year. The matched stock units vest ratably at a rate of one-third per year over three years. Column (e), "Stock Awards," of the below Summary Compensation Table includes the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R.

Restricted stock units may be granted under the U.S. Cellular 2005 Long-Term Incentive Plan. Column (e), "Stock Awards," of the Summary Compensation Table includes the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions.

Stock options may be granted under the U.S. Cellular 2005 Long-Term Incentive Plan. Column (f), "Option Awards," of the Summary Compensation Table includes the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions.

The phantom stock units, restricted stock units and stock options are not credited with any dividends because U.S. Cellular does not currently pay dividends.

The U.S. Cellular 2005 Long-Term Incentive Plan and related stock option, restricted stock unit and deferred bonus award agreements provide various rights upon termination and/or change in control, as summarized below.

*Stock Options.* The U.S. Cellular stock option agreements with named executive officers provide as follows:

*Disability.* If the officer's employment terminates by reason of disability (a total physical disability which, in the Stock Option Compensation Committee's judgment, prevents the officer from performing substantially such officer's employment duties and responsibilities for a continuous period of at least six months), then the stock option will be exercisable only to the extent it is exercisable on the effective date of the officer's termination of employment or service and after such date may be exercised by the stock option holder (or the holder's legal representative) for a period of 12 months after the effective date of the officer's termination of employment or service, or until the stock option's expiration date, whichever period is shorter.

*Special Retirement.* If the officer's employment terminates by reason of Special Retirement (termination of employment or service on or after the later of (i) the officer's attainment of age 62 and (ii) the officer's early retirement date or normal retirement date under the TDS Pension Plan), then the stock option immediately will become exercisable in full and after such date may be exercised by the stock option holder (or the holder's legal representative) for a period of 12 months after the effective date of the Special Retirement, or until the stock option's expiration date, whichever period is shorter. However, effective for stock options granted in April 2008, the option will become 100% exercisable only if at the time of termination, the officer has attained age 66 and the termination occurs subsequent to the year of grant.

*Retirement.* If the officer's employment terminates by reason of Retirement (termination of employment or service on or after the officer's attainment of age 65 that does not satisfy the definition of "Special Retirement," as set forth above), then the stock option immediately will become exercisable in full and after such date may be exercised by the holder (or the holder's legal representative) for a period

of 90 days after the effective date of the Retirement, or until the stock option's expiration date, whichever period is shorter. However, effective for stock options granted in April 2008, the option will become 100% exercisable only if at the time of termination, the officer has attained age 66 and the termination occurs subsequent to the year of grant.

**Resignation with Prior Consent of the Board.** If the officer's employment terminates by reason of the officer's resignation of employment or service with the prior consent of the U.S. Cellular board of directors, then the stock option will be exercisable only to the extent it is exercisable on the effective date of the officer's resignation and after such date may be exercised by the holder (or the holder's legal representative) for a period of 90 days after the effective date of the officer's resignation, or until the stock option's expiration date, whichever period is shorter.

**Death.** If the officer's employment terminates by reason of death, then the stock option will be exercisable only to the extent it is exercisable on the date of death and after such date may be exercised by the beneficiary or beneficiaries designated by the officer for a period of 180 days after the date of death, or until the stock option's expiration date, whichever period is shorter. However, effective for stock options granted in April 2008, the stock option will be exercisable by the beneficiary or beneficiaries for a period of 180 days after the date of death.

**Other Termination of Employment or Service.** If the officer's employment terminates for any reason other than Disability, Special Retirement, Retirement, resignation of employment or service with the prior consent of the U.S. Cellular board of directors or death, then the stock option will be exercisable only to the extent it is exercisable on the effective date of the officer's termination of employment or service and after such date may be exercised by the holder (or the holder's legal representative) for a period of 30 days after the effective date of the officer's termination of employment or service, or until the stock option's expiration date, whichever period is shorter.

**Extension of Option Exercise Period.** The stock option exercise period may be extended 30 days beyond a blackout period or legally-required plan suspension in the event that the stock option would otherwise expire during a blackout period or legally-required plan suspension.

**Restricted Stock Unit Awards.** The U.S. Cellular restricted stock unit agreements with named executive officers other than Mr. Rooney provide as follows:

**Retirement.** If the officer separates from service prior to the third anniversary of the date of grant (i.e., the date that the award otherwise would have vested) by reason of retirement at or after attainment of age 65, the award will fully vest upon such separation from service. However, effective for awards granted in April 2008, the award will fully vest upon retirement only if at the time of separation, the officer has attained age 66 and the separation occurs subsequent to the year of grant. The shares subject to the restricted stock unit award will be issued in the seventh calendar month following the calendar month during which the officer separates from service.

**Disability or Death.** If the officer separates from service prior to the third anniversary of the date of grant by reason of Disability or death, the restricted stock unit award will fully vest upon such separation from service. The shares subject to the restricted stock unit award will be issued in the seventh calendar month following the calendar month during which the officer separates from service, or in the case of death, within 60 days following the officer's death.

**Other Separation from Service.** If the officer separates from service prior to the third anniversary of the date of grant for any reason other than retirement, disability or death, the restricted stock unit award will be forfeited.

The U.S. Cellular restricted stock unit agreements with Mr. Rooney provide that if Mr. Rooney terminates employment prior to the six month anniversary of the date of grant (i.e., the date that the award otherwise would have vested) by reason of Disability or death, the restricted stock unit award will fully vest upon such termination, and the shares subject to the restricted stock unit award will be issued within 60 days following Mr. Rooney's termination. Such agreements provide that if Mr. Rooney terminates prior to the six month anniversary of the date of grant for any reason other than disability or death (including by reason of retirement), the restricted stock unit award will be forfeited.



## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

*Deferred Compensation Accounts and Company Match Awards.* An employee will be fully vested in the deferred bonus amounts credited to his or her deferred compensation account. One-third of the company match award credited to the employee's deferred compensation account will become vested on each of the first three anniversaries of the last day of the year for which the applicable bonus is payable, provided that such employee is an employee of U.S. Cellular or an affiliate on such date and the deferred bonus amount has not been withdrawn or distributed before such date. The company match award immediately shall become fully vested in the event of the employee's permanent disability or separation from service on account of his or her retirement or death. Amounts credited to an employee's deferred compensation account will be deemed to be invested in phantom Common Shares at the time the amounts are credited to the deferred compensation account.

Payment of deferred compensation generally will be in accordance with the employee's payment method and distribution date elections, provided that if an employee is a "specified employee" within the meaning of Section 409A of the Code, and is entitled to payment by reason of a separation from service for a reason other than death, no portion of his or her deferred compensation account subject to Section 409A of the Code shall be paid before the date which is six months after the date of separation from service (or if earlier, the date of the employee's death).

All payments of deferred compensation will be made in whole Common Shares and cash equal to the fair market value of any fractional share.

*Forfeiture of Award Upon Competition with or Misappropriation of Confidential Information of U.S. Cellular or its Affiliates.* If a recipient of an award enters into competition with, or misappropriates confidential information of, U.S. Cellular or any affiliate thereof, including TDS and its affiliates, then all awards granted shall terminate and be forfeited.

### *Change in Control*

The following summarizes the Change in Control provisions of the 2005 Long-Term Incentive Plan:

Notwithstanding any provision in the 2005 Long-Term Incentive Plan or any agreement, in the event of a Change in Control, the board of directors may, but will not be required to, make such adjustments to outstanding awards under the 2005 Long-Term Incentive Plan as it deems appropriate, including, without limitation:

causing all outstanding stock options and SARs to immediately become exercisable in full;

causing the restriction period applicable to any outstanding restricted stock award, and to the extent permissible under section 409A of the Internal Revenue Code, any restricted stock unit award, to lapse;

to the extent permissible under section 409A of the Internal Revenue Code, causing the performance period applicable to any outstanding performance award to lapse;

causing any restricted stock unit award or performance award to vest;

causing the performance measures applicable to any outstanding award (if any) to be deemed to be satisfied at the minimum, target or maximum level;

causing the amount in a deferred compensation account attributable to a company match to vest;

causing each outstanding award to be converted into a substitute award; or

electing that each outstanding award will be surrendered to U.S. Cellular by the holder thereof, and that each such award will immediately be canceled by U.S. Cellular, and that the holder will receive, within sixty days following the occurrence of the Change in Control (or at such later time required by section 409A of the Internal Revenue Code), a cash payment from U.S. Cellular.

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

The foregoing outlines the potential effect of a Change in Control relating to all awards available under the U.S. Cellular 2005 Long-Term Incentive Plan. However, U.S. Cellular currently only has outstanding RSUs, options and phantom stock units related to deferred compensation accounts.

## Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

For the definition of Change in Control, see U.S. Cellular's 2005 Long-Term Incentive Plan, attached as Exhibit C to this proxy statement.

Because certain termination events and/or a Change in Control would or may result in the acceleration of vesting of stock options, restricted stock units and bonus match units, the effects of such accelerated vesting in such event are included in the below table of Potential Payments upon Termination or Change in Control.

### *SERP*

Each of the identified executive officers participates in a supplemental executive retirement plan or SERP, which is a non-qualified defined contribution plan. The SERP does not provide substantial benefits and is intended to replace the benefits which cannot be provided under the TDS Pension Plan as a result of tax law limitations on the amount and types of annual employee compensation which can be taken into account under a tax qualified pension plan. The SERP is unfunded. The amount of the contribution with respect to the executives identified in the Summary Compensation Table is included in column (i), "All Other Compensation," of the Summary Compensation Table. Participants are credited with interest on balances of the SERP. Pursuant to SEC rules, column (h) of the Summary Compensation Table includes any portion of interest earned under the SERP to the extent the rate exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the time the rate is set.

A participant is entitled to distribution of his entire account balance under the SERP if the participant has a separation from service without cause, after either (a) his or her attainment of age 65; or (b) his or her completion of at least ten years of service. If a participant has a separation from service under circumstances other than those set forth in preceding sentence, without cause, the participant will be entitled to distribution of 10% of his or her account balance for each year of service up to ten years. Upon a separation from service under circumstances that permit payments under the SERP, the participant will be paid his or her account balance in one of the following forms as elected by the participant prior to the first day of the first plan year for which the participant commences participation in the SERP: (a) a single lump sum or (b) annual installments over a period of 5, 10, 15, 20 or 25 years. The SERP does not include any provision that would increase benefits or accelerate amounts upon any termination or change in control and, accordingly, no amount is included in the below table of Potential Payments upon Termination or Change in Control. The balance of the SERP as of December 31, 2008 for each named executive officer is set forth in the "Nonqualified Deferred Compensation" table below.

### *Perquisites*

U.S. Cellular does not provide any significant perquisites to its executive officers. In addition, U.S. Cellular has no formal plan, policy or procedure pursuant to which executive officers are entitled to any perquisites following termination or change in control. However, in connection with any termination, U.S. Cellular may enter into a retirement, severance or similar agreement that may provide for perquisites.

Perquisites and personal benefits represent a relatively insignificant portion of the named executive officers' total compensation. Accordingly, they do not materially influence the Chairman's or Stock Option Compensation Committee's consideration in setting compensation.

## Other Generally Applicable Benefits and Plans

### *Employee Stock Purchase Plans*

TDS sponsors an Employee Stock Purchase Plan that permits eligible employees of TDS and its subsidiaries, including U.S. Cellular, to purchase a limited number of TDS Special Common Shares on a quarterly basis. The per share cost to each participant is 85% of the market value of the Special Common Shares as of the quarterly purchase date. Pursuant to SEC rules, the Summary Compensation Table does not include the discount amount because such discount is available generally to all salaried employees of TDS and U.S. Cellular.

U.S. Cellular also sponsors an Employee Stock Purchase Plan that permits eligible employees of U.S. Cellular and its subsidiaries to purchase a limited number of U.S. Cellular Common Shares on a quarterly basis. The per share cost to each participant is 85% of the market value of the Common Shares as of the quarterly purchase date. Pursuant to SEC rules, the Summary Compensation Table does not include the discount amount because such discount is available generally to all salaried employees of U.S. Cellular.

Under the TDS and U.S. Cellular Employee Stock Purchase Plans, all shares purchased are distributed quarterly and no shares are retained for distribution upon retirement or otherwise. These plans do not discriminate in scope, terms, or operation in favor of executive officers and are available generally to all employees of TDS or U.S. Cellular, as applicable, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

### *Tax-Deferred Savings Plan*

TDS sponsors the Tax-Deferred Savings Plan, a qualified defined contribution plan pursuant to Sections 401(a) and 401(k) of the Internal Revenue Code. This plan is available to employees of TDS and its subsidiaries, including U.S. Cellular. Employees contribute amounts and U.S. Cellular makes matching contributions in part. U.S. Cellular and participating employers make matching contributions to the plan in cash equal to 100% of an employee's contributions up to the first 3% and 40% of an employee's contributions up to the next 2% of such employee's compensation. Participating employees have the option of investing their contributions and U.S. Cellular's contributions in a TDS Common Share fund, a TDS Special Common Share fund, a U.S. Cellular Common Share fund or certain unaffiliated funds. The amount of the contribution with respect to the executives identified in the Summary Compensation Table is included in column (i), "All Other Compensation," of the Summary Compensation Table. SEC rules do not require the Summary Compensation Table to include earnings or other amounts with respect to tax-qualified defined contribution plans.

Under the TDS Tax-Deferred Savings Plan, vesting is not accelerated upon a change in control or other termination event. The vested portion of an employee's account becomes payable following the employee's termination of employment as (a) a lump sum or (b) in a series of annual or more frequent installments. This plan does not discriminate in scope, terms, or operation in favor of executive officers and is available generally to all employees, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

### *Pension Plan*

TDS sponsors a qualified noncontributory defined contribution Pension Plan for the employees of TDS and its subsidiaries, including U.S. Cellular. Under this plan, pension costs are calculated separately for each participant and are funded annually. The Pension Plan is designed to provide retirement benefits for eligible employees of TDS and certain of its affiliates which adopted the Pension Plan. TDS and its subsidiaries make annual employer contributions for each eligible participant based on the applicable pension formula. The amount of the contribution with respect to the executives identified in the Summary Compensation Table is included in column (i), "All Other Compensation," of the Summary Compensation

Table. SEC rules do not require the Summary Compensation Table to include earnings or other amounts with respect to tax-qualified defined contribution plans.

Under the TDS Pension Plan, vesting is not accelerated upon a change in control or other termination event. The vested portion of an employee's account becomes payable following the employee's termination of employment as (a) an annuity or (b) a lump sum payment. This plan does not discriminate in scope, terms, or operation in favor of executive officers and is available generally to all employees, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

#### *Health and Welfare Benefits*

TDS also provides customary health and welfare and similar plans for the employees of TDS and its subsidiaries, including U.S. Cellular. These group life, health, hospitalization, disability and/or medical reimbursement plans do not discriminate in scope, terms or operation, in favor of executive officers and are available generally to all employees, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

#### **Impact of Accounting and Tax Treatments of Particular Forms of Compensation**

The Chairman and the Stock Option Compensation Committee consider the accounting and tax treatments of particular forms of compensation. Accounting treatments do not significantly impact the determinations of the appropriate compensation. The Chairman and the Stock Option Compensation Committee consider the accounting treatments primarily to be informed and to confirm that company personnel understand and recognize the appropriate accounting that will be required with respect to compensation decisions.

U.S. Cellular places more significance on the tax treatments of particular forms of compensation, because these may involve actual cash expense to the company or the executive. One objective of U.S. Cellular is to maximize tax benefits to the company and executives to the extent feasible within the overall goals of the compensation policy discussed above. In particular, one consideration is the effect of Section 162(m) of the Internal Revenue Code.

Subject to certain exceptions, Section 162(m) of the Internal Revenue Code provides a one million dollar annual limit on the amount that a publicly held corporation is allowed to deduct as compensation paid to each of the corporation's principal executive officer and the corporation's other three most highly compensated officers, exclusive of the principal executive officer and principal financial officer. U.S. Cellular does not believe that the one million dollar deduction limitation currently has or should have in the near future a material adverse effect on U.S. Cellular's financial condition, results of operations or cash flows. If the one million dollar deduction limitation is expected to have a material adverse effect on U.S. Cellular in the future, U.S. Cellular will consider ways to maximize the deductibility of executive compensation, while retaining the discretion U.S. Cellular deems necessary to compensate executive officers in a manner commensurate with performance and the competitive environment for executive talent.

U.S. Cellular does not have any arrangements with its executive officers pursuant to which it has agreed to "gross-up" payments due to taxes or to otherwise reimburse officers for the payment of taxes, except with respect to certain perquisites.

#### *Financial Restatement*

Depending on the facts and circumstances, U.S. Cellular may seek to adjust or recover awards or payments if the relevant U.S. Cellular performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment.

### **Policy on Stock Ownership**

U.S. Cellular does not have a formal policy relating to stock ownership by executive officers. TDS' Policy Regarding Insider Trading and Confidentiality, which is applicable to U.S. Cellular, provides that persons subject to the blackout policy may not, under any circumstances, trade options for, pledge, or sell "short," any securities of TDS or U.S. Cellular, and may not enter into any hedging, monetization or margin transactions with respect to any such securities.

### **Compensation Consultant**

Information relating to U.S. Cellular's primary compensation consultant is discussed above under "Corporate Governance Stock Option Compensation Committee."

### **Compensation Committee Report**

The undersigned directors oversee U.S. Cellular's compensation programs on behalf of the board of directors. In fulfilling their oversight responsibilities, the undersigned reviewed and discussed with management the Compensation Discussion and Analysis set forth above in this proxy statement.

In reliance on the review and discussions referred to above, the undersigned recommended to the board of directors that the above Compensation Discussion and Analysis be included in U.S. Cellular's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and U.S. Cellular's proxy statement related to the 2009 Annual Meeting of Stockholders.

The above Compensation Committee Report is submitted by LeRoy T. Carlson, Jr., who functions as the compensation committee, except with respect to long-term compensation, and by Paul-Henri Denuit, J. Samuel Crowley and Ronald E. Daly, the members of the Stock Option Compensation Committee, which has responsibility with respect to long-term compensation.

Because U.S. Cellular does not have a formal independent compensation committee, the foregoing Compensation Committee Report is also submitted by the full Board of Directors: LeRoy T. Carlson, Jr., John E. Rooney, Kenneth R. Meyers, LeRoy T. Carlson, Walter C.D. Carlson, Paul-Henri Denuit, J. Samuel Crowley, Harry J. Harczak, Jr. and Ronald E. Daly.

### **Summary of Compensation**

The following table summarizes the compensation paid by U.S. Cellular to the identified officers for 2008 and 2007 and, except as indicated, 2006.

## Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary \$ (c)	Bonus (\$) (d)	Stock Awards (\$) (e)	Option Awards (\$) (f)	Change in Pension Value and Non-qualified Equity Incentive Deferred Compensation (\$) (g)	All Other Compensation (\$) (h)	Total (\$) (j)
<b>John E. Rooney</b> (1)	2008	\$ 855,000	\$ 675,000	\$ 768,240	\$ 1,917,477	\$ 6,978	\$ 54,740	\$ 4,277,435
President and Chief Executive Officer	2007	\$ 790,000	\$ 525,000	\$ 508,779	\$ 2,013,137	\$ 3,655	\$ 70,858	\$ 3,911,429
	2006	\$ 734,084	\$ 300,000	\$ 1,185,929	\$ 3,158,606	\$ 3,335	\$ 51,921	\$ 5,433,875
<b>Steven T. Campbell</b> (2)	2008	\$ 415,480	\$ 252,000	\$ 176,456	\$ 297,684	\$ 62	\$ 46,104	\$ 1,187,786
Executive Vice President-Finance, Chief Financial Officer and Treasurer since January 1, 2007	2007	\$ 369,068	\$ 103,000	\$ 69,243	\$ 161,182		\$ 33,629	\$ 736,122
<b>Jay M. Ellison</b> (3)	2008	\$ 542,244	\$ 401,000	\$ 506,709	\$ 760,619	\$ 2,049	\$ 54,740	\$ 2,267,361
Executive Vice President and Chief Operating Officer	2007	\$ 502,920	\$ 336,414	\$ 442,648	\$ 575,979	\$ 1,157	\$ 61,334	\$ 1,920,452
	2006	\$ 467,867	\$ 176,000	\$ 480,214	\$ 535,037	\$ 1,201	\$ 43,727	\$ 1,704,046
<b>Michael S. Irizarry</b> (4)	2008	\$ 490,667	\$ 275,000	\$ 353,637	\$ 535,710	\$ 417	\$ 50,261	\$ 1,705,692
Executive Vice President Engineering and Chief Technical Officer	2007	\$ 449,933	\$ 212,528	\$ 292,093	\$ 394,040	\$ 35	\$ 80,289	\$ 1,428,918
	2006	\$ 393,434	\$ 110,000	\$ 305,673	\$ 388,879		\$ 27,380	\$ 1,225,366
<b>Jeffrey J. Childs</b> (5)	2008	\$ 402,980	\$ 204,000	\$ 234,144	\$ 340,585	\$ 149	\$ 42,494	\$ 1,224,352
Senior Vice President and Chief Human Resources Officer	2007	\$ 373,761	\$ 166,170	\$ 230,607	\$ 280,822	\$ 8	\$ 37,959	\$ 1,089,327
	2006	\$ 347,710	\$ 86,000	\$ 238,273	\$ 258,849		\$ 23,197	\$ 954,029

**Explanation of Column:**

(a)

Includes the following "named executive officers": all individuals serving as U.S. Cellular's principal executive officer or acting in a similar capacity during the last completed fiscal year; all individuals serving as the principal financial officer or acting in a similar capacity during the last completed fiscal year; and the three most highly compensated executive officers other than the foregoing who were serving as executive officers at the end of the last completed fiscal year, including executive officers of subsidiaries. The determination as to which executive officers are most highly compensated is made by reference to total compensation for the last completed fiscal year as set forth in column (j), reduced by any amount in column (h).

LeRoy T. Carlson, Jr., Chairman of U.S. Cellular, and LeRoy T. Carlson, a director of U.S. Cellular and executive officers of TDS, receive no compensation from U.S. Cellular. In addition, Kenneth R. Meyers, a director of U.S. Cellular and executive officer of TDS, received no compensation from U.S. Cellular in 2008 or 2007. LeRoy T. Carlson, Jr., and LeRoy T. Carlson are compensated, and in 2008 and 2007, Kenneth R. Meyers was compensated, by TDS in connection with their services for TDS and TDS subsidiaries, including U.S. Cellular. A portion of their compensation expense incurred by TDS is allocated to U.S. Cellular by TDS, along with the allocation of other compensation expense and other expenses of TDS. This allocation by TDS to U.S. Cellular is done in the form of a single management fee pursuant to the Intercompany Agreement discussed below under "Intercompany Agreement." There is no identification or quantification of the compensation of such persons to U.S. Cellular, or of any other allocated expense in this management fee. The management fee is recorded as a single expense by U.S. Cellular. U.S. Cellular does not obtain details of the components that make up this fee and does not segregate this fee or allocate any part of the management fee to other accounts such as compensation expense. Accordingly, the compensation expenses incurred by TDS with respect to such persons are not reported in the above table. However, for purposes of disclosure, approximately 78% of LeRoy T. Carlson, Jr.'s compensation expense in 2008, approximately 79% of Kenneth R. Meyers' compensation expense in 2008 and approximately 78% of LeRoy T. Carlson's compensation expense in 2008 incurred by TDS is included by TDS in the total management fee to U.S. Cellular. Information with respect to compensation from TDS to LeRoy T. Carlson, Jr., Kenneth R. Meyers and LeRoy T. Carlson is included in TDS' proxy statement related to its 2009 annual meeting of shareholders.



- (b) For additional details relating to 2007, see the U.S. Cellular proxy statement filed with the SEC on Schedule 14A on April 15, 2008. For additional details relating to 2006, see the U.S. Cellular proxy statement filed with the SEC on Schedule 14A on April 25, 2007. Amounts for 2006 are not required to be reported for Steven T. Campbell because he was not a named executive officer in 2006.
- (c) Represents the dollar value of base salary (cash and non-cash) earned by the named executive officer during the fiscal year. John E. Rooney deferred 20% of his base salary in 2008. See "Information Regarding Nonqualified Deferred Compensation" below. The other officers did not defer any salary in 2008.
- (d) Represents the dollar value of bonus (cash and non-cash) earned by the named executive officer during the fiscal year. As discussed in the Compensation Disclosure and Analysis, officers do not become entitled to any amount of bonus solely as a result of achievement of any performance measures. The officers are not entitled to any amount of bonus unless and only to the extent awarded and paid. Performance measures are only one category of the factors used to determine the amount of the bonus, all of which is discretionary, as discussed above. The entire amount of the bonus is not earned until awarded. Because officers are not entitled to any bonus until awarded, the bonus amounts reported as earned in 2008 above represent bonuses awarded and paid in 2008. This includes the bonus based on 2007 performance that was paid on March 14, 2008. See "Bonus" in the Compensation Disclosure and Analysis. Mr. Rooney deferred 100% of his 2007 bonus (earned and paid in 2008). The amount deferred is deemed invested in phantom stock units in U.S. Cellular Common Shares. See "Grants of Plan-Based Awards" below. The entire amount of Mr. Rooney's bonus earned in 2008, including the amount deferred, is included above in column (d). See "Information Regarding Nonqualified Deferred Compensation" below. As a result, Mr. Rooney also received a Company match of phantom stock bonus match units in U.S. Cellular Common Shares having a value of \$196,897. See Note (e) below. The other officers did not defer any bonus in 2008.

For disclosure purposes, the amount of bonus paid on March 13, 2009 with respect to 2008 performance is as follows:

	<b>John E. Rooney</b>	<b>Steven T. Campbell</b>	<b>Jay M. Ellison</b>	<b>Michael S. Irizarry</b>	<b>Jeffrey J. Childs</b>
Total Bonus for 2008 paid in 2009	\$410,000	\$ 143,976	\$223,086	\$152,068	\$111,567

The amount of the Bonus for 2008 paid in 2009 is only provided for disclosure purposes. These amounts were not earned until paid in 2009 and will be reported in next year's Summary Compensation Table with respect to 2009.

- (e) Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions. The vesting period of the awards is set forth under "Grants of Plan-Based Awards" below. Assumptions made in the valuation of stock awards in this column are incorporated by reference to Note 18 Stock Based Compensation, in U.S. Cellular's financial statements for the year ended December 31, 2008 included in its Form 10-K for the year ended December 31, 2008. All above stock awards were valued based on grant date fair value using an annual forfeiture rate (the percentage of stock awards granted that are assumed will be forfeited) of 0%. The annual forfeiture rate used in the calculation of the FAS 123R expense was 9.14% in 2008, 8.03% in 2007 and 7.74% in 2006. There were no forfeitures of stock awards in 2008,

2007 or 2006 for the identified officers.

Includes the amount of FAS 123R expense related to restricted stock units under the U.S. Cellular 2005 Long-Term Incentive Plan. U.S. Cellular restricted stock units granted in 2008 will become vested on the third anniversary of the grant date, or on April 1, 2011, except with respect to Mr. Rooney whose restricted stock units became vested on October 1, 2008.

Also includes the amount of FAS 123R expense related to phantom stock bonus match units in U.S. Cellular Common Shares credited to such officer with respect to deferred bonuses. Deferred bonus is deemed invested in phantom U.S. Cellular Common Shares. U.S. Cellular does not currently pay dividends. Mr. Rooney deferred 100% of his 2007 bonus, which was paid in 2008. Accordingly, Mr. Rooney received a phantom stock bonus match with respect to such deferred bonus in 2008 having a grant date value of \$196,897. However, column (e) above includes the amount of FAS 123R expense recognized in 2008 of \$328,163. In accordance with FAS 123R, U.S. Cellular recognized expense in 2008 with respect to 100% of the grant-date value bonus match awards granted in 2008 to Mr. Rooney, and recognized expense for all of Mr. Rooney's prior unvested bonus match awards, because he was eligible for retirement. See "Information Regarding Nonqualified Deferred Compensation" below.

The following is a summary of the amount of FAS 123R expense related to stock awards reflected in column (e) above:

	<b>John E. Rooney</b>	<b>Steven T. Campbell</b>	<b>Jay M. Ellison</b>	<b>Michael S. Irizarry</b>	<b>Jeffrey J. Childs</b>
2005 Restricted Stock Units	\$	\$	\$ 52,603	\$ 33,302	\$ 29,434
2006 Restricted Stock Units		11,699	76,794	48,737	43,067
2007 Restricted Stock Units		76,937	179,373	128,919	76,937
2008 Restricted Stock Units	440,077	87,820	197,939	142,679	84,706
Amount of restricted stock unit expense in 2008	\$440,077	\$ 176,456	\$506,709	\$353,637	\$234,144
Amount of bonus match expense in 2008	328,163				
<b>Total</b>	<b>\$768,240</b>	<b>\$ 176,456</b>	<b>\$506,709</b>	<b>\$353,637</b>	<b>\$234,144</b>

Edgar Filing: UNITED STATES CELLULAR CORP - Form DEF 14A

For reference purposes, the following is a summary of the grant date value of stock awards in 2008 reflected in column (l) of the Grants of Plan-Based Awards Table below:

	<b>John E. Rooney</b>	<b>Steven T. Campbell</b>	<b>Jay M. Ellison</b>	<b>Michael S. Irizarry</b>	<b>Jeffrey J. Childs</b>
2008 Restricted Stock Units	\$440,077	\$ 350,003	\$788,879	\$568,640	\$337,592
2008 Bonus Match Awards	196,897				
<b>Total</b>	<b>\$636,974</b>	<b>\$ 350,003</b>	<b>\$788,879</b>	<b>\$568,640</b>	<b>\$337,592</b>

If an award ultimately vests in full, the amount cumulatively recognized in the Summary Compensation Table over a period of years should equal 100% of the grant date fair value of the equity award or the total fair value at the date of settlement for a liability award.

(f)

Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions. The dates on which the stock options become exercisable and expire is set forth below under "Grants of Plan-Based Awards." Assumptions made in the valuation of the stock option awards in this column are incorporated by reference from Note 18 Stock Based Compensation, in U.S. Cellular's financial statements for the year ended December 31, 2008 included in its Form 10-K for the year ended December 31, 2008. All above stock options were valued based on grant date fair value using a forfeiture rate (the percentage of stock options granted in 2008 that are assumed will be forfeited) of 0%. The annual forfeiture rate used in the calculation of the FAS 123R expense was 11.29% in 2008, 9.6% in 2007 and 4.4% in 2006. There were no forfeitures of stock options in 2008, 2007 or 2006 for the identified officers. The awards represent stock options with respect to U.S. Cellular Common Shares awarded during the fiscal year.

The following is a summary of the amount of FAS 123R expense relating to stock options reflected in column (f) above:

	<b>John E. Rooney</b>	<b>Steven T. Campbell</b>	<b>Jay M. Ellison</b>	<b>Michael S. Irizarry</b>	<b>Jeffrey J. Childs</b>
2004 Options	\$	\$	\$ 9,147	\$ 5,901	\$ 1,262
2005 Options		6,989	38,308	24,250	21,438
2006 Options		18,962	93,296	59,192	52,309
2007 Options		95,678	223,064	160,343	95,678
2008 Options	1,917,477	176,055	396,804	286,024	169,898
Amount of stock option expense in 2008	\$1,917,477	\$ 297,684	\$760,619	\$535,710	\$340,585

For reference purposes, the following is a summary of the grant date value of stock options in 2008 reflected in column (l) of the Grants of Plan-Based Awards Table below:

<b>John E. Rooney</b>	<b>Steven T. Campbell</b>	<b>Jay M. Ellison</b>	<b>Michael S. Irizarry</b>	<b>Jeffrey J. Childs</b>
---------------------------	-------------------------------	---------------------------	------------------------------------	----------------------------------

Grant date value of stock options awarded in 2008	\$1,917,477	\$ 383,143	\$863,569	\$622,475	\$369,749
---	-------------	------------	-----------	-----------	-----------

If a stock option ultimately vests in full, the amount cumulatively recognized in the Summary Compensation Table over a period of years should equal 100% of the grant date fair value of the equity award or the total fair value at the date of settlement for a liability award.

For 2006 and 2007, the stock options granted became exercisable with respect to 25% of the shares underlying the stock option each year over a four year period. However, beginning with awards made in April 2008, stock options become exercisable with respect to 33 1/3% of the shares underlying the stock option each year over a three year period. As a result, the FAS 123R expense for options granted in 2006 and 2007 is being reflected over four years whereas the FAS 123R expense for options granted in 2008 will be reflected over three years.

(g)

None of the above executive officers has any earnings for services performed during the fiscal year pursuant to awards under "non-equity incentive plans" or earnings on any outstanding awards, pursuant to SEC rules. All amounts paid or awarded are disclosed in other columns under SEC rules. Although the annual Executive Officer Annual Incentive Plan provides incentives to executive officers other than the Chairman and the President, this plan does not function in a way which permits the determination of the bonus based on achievement of performance measures, and bonus payments under the plan are based on the judgment and discretion of the President and Chairman, as discussed above. Amounts under this plan are not earned until they are awarded and paid in the following year. There is no way under such plan to determine the amount to be paid prior to such time. Accordingly, amounts paid under such plan are set forth above under Bonus in column (d) in the year earned and paid. See the discussion under "Bonus" in the above Compensation Discussion and Analysis.

(h)

As required by SEC rules, column (h) includes the portion of interest that exceeded 120% of the applicable federal long-term rate ("AFR"), with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the time each monthly interest rate is set. Each of the identified officers participates in a supplemental executive retirement plan or SERP. The interest rate for 2008 was set as of the last trading date of 2007 at 6.109% per annum, based on the yield on ten year

BBB rated industrial bonds at such time. Such rate exceeded the AFR of 5.68% at such time. Accordingly, pursuant to SEC rules, column (h) of the Summary Compensation Table for 2008 includes the portion of such interest that exceeded the AFR at the time the interest rate was set. In addition, column (h) includes \$6,002 of interest that Mr. Rooney received and \$1,308 of interest that Mr. Ellison received on deferred salary that exceeds the AFR. The other officers have not deferred any of their salaries. Interest on deferred salary is compounded monthly, computed at a rate equal to one-twelfth of the sum of the average twenty-year Treasury Bond rate plus 1.25 percentage points.

Column (h) does not include any changes in pension values because U.S. Cellular does not have any defined benefit pension plans or pension plans (including supplemental plans) where the retirement benefit is actuarially determined that cover executive officers. The named executive officers only participate in tax-qualified defined contribution plans and a non-qualified defined contribution plan which, under SEC rules, are not required to be reflected in column (h). Both the TDS Tax-Deferred Savings Plan (TDSP) and the TDS Pension Plan are qualified defined contribution plans and the supplemental executive retirement plan (SERP) is a non-qualified defined contribution plan.

(i)

Does not include any discount amount under the TDS or U.S. Cellular employee stock purchase plans because such discounts are available generally to all employees of U.S. Cellular. The per share cost to each participant is 85% of the market value of the TDS Special Common Shares or U.S. Cellular Common Shares as of the issuance date, as applicable.

Does not include perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is \$10,000 or more.

Column (i) includes the following: (1) if applicable, the total of perquisites and personal benefits if they equal or exceed \$10,000, summarized by type, or specified for any perquisite or personal benefit that exceeds the greater of \$25,000 or 10% of the total amount of perquisites and personal benefits for each officer, which are referred to as Specified Perquisites, in each case, valued on the basis of the aggregate incremental cost of such perquisite or personal benefit to U.S. Cellular, including any related tax gross up, and (2) contributions by U.S. Cellular for the benefit of the named executive officer under (a) the TDS tax-deferred savings plan which is referred to as the TDSP, (b) the TDS Pension Plan, and (c) the TDS supplemental executive retirement plan, which is referred to as the SERP:

	<b>John E. Rooney</b>	<b>Steven T. Campbell</b>	<b>Jay M. Ellison</b>	<b>Michael S. Irizarry</b>	<b>Jeffrey J. Childs</b>
Total Perquisites if \$10,000 or more	N/A	N/A	N/A	N/A	N/A
Other Compensation					
TDSP	\$ 8,740	\$ 8,740	\$ 8,740	\$ 6,900	\$ 8,740
Pension Plan	10,740	10,740	10,740	10,740	10,740
SERP	35,260	26,624	35,260	32,621	23,014
Total	\$ 54,740	\$ 46,104	\$ 54,740	\$ 50,261	\$ 42,494

None of the named executive officers had perquisites or personal benefits that equaled or exceeded \$10,000 in 2008.

The TDSP is a tax-qualified defined contribution retirement plan that does not discriminate in scope, terms or operation in favor of executive officers and that is available generally to all employees. Employees contribute

amounts to the plan and U.S. Cellular makes matching contributions in part.

The Pension Plan is a tax-qualified defined contribution retirement plan that does not discriminate in scope, terms or operation in favor of executive officers and that is available generally to all employees. U.S. Cellular and its subsidiaries make annual employer contributions for each participant.

The SERP is a non-qualified defined contribution plan that is available only to certain officers. This plan provides supplemental benefits under the Pension Plan to offset the reduction of benefits caused by the limitation on annual employee compensation which can be considered for tax qualified pension plans under the Internal Revenue Code. U.S. Cellular and its subsidiaries make annual employer contributions for each participant.

- (j) Represents the dollar value of total compensation for the fiscal year based on the sum of all amounts reported in columns (c) through (i).

**Footnotes:**

- (1) John E. Rooney, as President and Chief Executive Officer, is included above as U.S. Cellular's principal executive officer. Under the executory portions of an offer letter which was accepted by John E. Rooney on March 28, 2000 relating to his employment as President and Chief Executive Officer, all unvested stock option and restricted stock awards granted to Mr. Rooney on or prior to April 10, 2006 fully vested on October 10, 2006, and all stock option and restricted stock awards granted after April 10, 2006 will fully vest six months after the date they are granted.
- (2) Steven T. Campbell, U.S. Cellular's Executive Vice President Finance, Chief Financial Officer and Treasurer since January 1, 2007, is included above as U.S. Cellular's principal financial officer. U.S. Cellular does not have any employment, severance or similar agreement with Mr. Campbell that is executory.

- (3) Jay M. Ellison, Executive Vice President and Chief Operating Officer, is included above as one of the three most highly compensated executive officers other than the principal executive officer or principal financial officer who was serving as an executive officer at the end of the last completed fiscal year. U.S. Cellular does not have any employment, severance or similar agreement with Mr. Ellison.
- (4) Michael S. Irizarry, Executive Vice President Engineering and Chief Technical Officer, is included above as one of the three most highly compensated executive officers other than the principal executive officer or principal financial officer who was serving as an executive officer at the end of the last completed fiscal year. U.S. Cellular does not have any employment, severance or similar agreement with Mr. Irizarry.
- (5) Jeffrey J. Childs, Senior Vice President and Chief Human Resources Officer, is included above as one of the three most highly compensated executive officers other than the principal executive officer or principal financial officer who was serving as an executive officer at the end of the last completed fiscal year. U.S. Cellular does not have any employment, severance or similar agreement with Mr. Childs.

## Information Regarding Plan-Based Awards Table

The following table shows, as to the executive officers who are named in the Summary Compensation Table, certain information regarding plan-based awards in 2008.

## Grants of Plan-Based Awards

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Units (i)	All Other Awards: Number of Securities Underlying Options (j)	Exercise or Base Price of Option Awards (k)	Grant Date Fair Value of Stock and Option Awards (l)
		(c)	(d)	(e)	(f)	(g)	(h)				
<b>John E. Rooney</b>											
Awards in Common Shares(1)											
Phantom Stock Bonus Match Units(2)	03/14/08							3,502			\$ 196,897
Restricted Stock Units	04/1/08							7,695			\$ 440,077
Subtotal Stock Awards											\$ 636,974
Stock Options	04/1/08								136,000	\$ 57.19	\$ 1,917,477
Total Grant Date Fair Value of all Awards											\$ 2,554,451
<b>Steven T. Campbell</b>											
Awards in Common Shares(1)											
Restricted Stock Units	04/1/08							6,120			\$ 350,003
Stock Options	04/1/08								27,175	\$ 57.19	\$ 383,143
Total Grant Date Fair Value											\$ 733,146
<b>Jay M. Ellison</b>											
Awards in Common Shares(1)											
Restricted Stock Units	04/1/08							13,794			\$ 788,879
Stock Options	04/1/08								61,250	\$ 57.19	\$ 863,569
Total Grant Date Fair Value											\$ 1,652,448
<b>Michael S. Irizarry</b>											
Awards in Common Shares(1)											
Restricted Stock Units	04/1/08							9,943			\$ 568,640
Stock Options	04/1/08								44,150	\$ 57.19	\$ 622,475
Total Grant Date Fair Value											\$ 1,191,115



**Jeffrey J. Childs**

Awards in Common

Shares(1)

Restricted Stock Units	04/1/08	5,903			\$ 337,592
Stock Options	04/1/08		26,225	\$ 57.19	\$ 369,749
<b>Total Grant Date Fair Value</b>					<b>\$ 707,341</b>

**Explanation of Columns:**

- (a) Includes the persons identified in the Summary Compensation Table.
- (b) Represents the date on which the Stock Option Compensation Committee took action to grant the awards or, in the case of the phantom stock bonus match units, the date that such units were credited to the officer pursuant to the 2005 Long-Term Incentive Plan.
- (c)-(e) These columns as set forth in SEC rules are not applicable because the identified officers did not receive any non-equity incentive plan awards, as defined by SEC rules.
- (f)-(h) These columns as set forth in SEC rules are not applicable because the identified officers did not receive any equity incentive plan awards, as defined by SEC rules.
- (i) Includes the number of U.S. Cellular Common Shares underlying restricted stock units awarded pursuant to the U.S. Cellular 2005 Long-Term Incentive Plan. Such restricted stock units become vested on April 1, 2011, except that the restricted stock unit award became fully vested on October 1, 2008 with respect to Mr. Rooney.

Also includes the number of phantom stock bonus match units in U.S. Cellular Common Shares credited to such officer with respect to deferred bonus compensation. Mr. Rooney deferred all of his bonus earned in 2008 under the U.S. Cellular 2005 Long-Term Incentive Plan, which permits the above officers to defer all or a portion of their annual bonus to a deferred compensation account. Deferred compensation will be deemed invested in phantom U.S. Cellular Common Shares. The phantom stock units are not credited with dividends because U.S. Cellular does not currently pay dividends. The officer makes an election as to when to receive a distribution of the deferred compensation account. If an officer elects to defer all or a portion of his annual bonus, U.S. Cellular will allocate a match award to the employee's deferred compensation account in an amount equal to the sum of (i) 25% of the deferred bonus amount which is not in excess of one-half of the employee's gross bonus for the year and (ii) 33<sup>1</sup>/<sub>3</sub>% of the deferred bonus amount which is in excess of one-half of the employee's gross bonus for the year. The entire amount of the bonus is included in the Summary Compensation Table in column (d) under "Bonus," whether or not deferred. The FAS 123R expense of the matched stock units is reported in the Summary Compensation Table in column (e) under "Stock Awards." See "Information Regarding Nonqualified Deferred Compensation" below.

- (j) Represents the number of U.S. Cellular Common Shares underlying stock options awarded during the fiscal year pursuant to the U.S. Cellular 2005 Long-Term Incentive Plan. The U.S. Cellular stock options were granted at an exercise price of \$57.19 per share, which was the closing price of a U.S. Cellular Common Share on April 1, 2008. Such stock options become exercisable with respect to one third of the shares underlying the stock option on April 1, 2009, 2010 and 2011, except that the stock options vested in their entirety on October 1, 2008 with respect to Mr. Rooney, and are exercisable until April 1, 2018.
- (k) Represents the per-share exercise price of the stock options granted in column (j). Such exercise price is not less than the closing market price of the underlying security on the date of the grant.
- (l) Represents the grant date fair value of each equity award computed in accordance with FAS 123R or, in the case of any adjustment or amendment of the exercise or base price of stock options, SARs or similar option-like instruments previously awarded to a named executive officer, whether through amendment, cancellation or replacement grants, or any other means ("repriced"), or other material modification of such awards, represents the incremental fair value, computed as of the repricing or modification date in accordance with FAS 123R, with respect to that repriced or modified award. No stock options were repriced or materially modified in the last fiscal year with respect to the identified executive officers.

**Footnotes:**

- (1) Pursuant to the U.S. Cellular 2005 Long-Term Incentive Plan, on April 1, 2008, such executive officer was granted restricted stock units and stock options to purchase U.S. Cellular Common Shares as indicated above. The FAS 123R expense of the restricted stock unit awards is reported in the Summary Compensation Table in column (e) and the FAS 123R expense of the stock option awards is reported in the Summary Compensation Table in column (f).
- (2) Includes the number of phantom stock units in U.S. Cellular Common Shares credited to such officer with respect to company match units related to deferred bonus compensation. Only Mr. Rooney deferred his bonus earned in 2008 (based upon 2007 performance). John E. Rooney participates in the U.S. Cellular 2005 Long-Term Incentive Plan. This plan permits officers to defer all or a portion of their annual bonus to a deferred compensation account. The FAS 123R expense of the company match stock units is reported in the Summary Compensation Table in column (e) under "Stock Awards." U.S. Cellular does not currently pay dividends. Does not include the amount of the bonus earned that was credited as phantom stock because this is reported in the Summary Compensation Table in column (d) under "Bonus" whether or not deferred and credited as phantom stock, rather than in column (e) as "Stock Awards". John E. Rooney deferred \$675,000, representing 100% of the bonus earned by him in 2008, and was credited with 12,004 shares of phantom stock on March 14, 2008.



## Information Regarding Outstanding Equity Awards at Year End Table

The following table shows, as to the executive officers who are named in the Summary Compensation Table, certain information regarding outstanding equity awards at December 31, 2008.

## Outstanding Equity Awards at Fiscal Year-End

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
<b>John E. Rooney</b>									
<b>Options:</b>									
2008 Options(1)	136,000			\$ 57.19	4/1/18				
<b>Stock Awards:</b>									
Bonus Match(7)						3,056	\$ 132,141		
Total	136,000					3,056	\$ 132,141		
<b>Steven T. Campbell</b>									
<b>Options:</b>									
2008 Options(1)		27,175		\$ 57.19	4/1/18				
2007 Options(2)	4,300	12,900		\$ 73.84	4/2/17				
2006 Options(3)	1,894	3,788		\$ 59.43	4/3/16				
2005 Options(4)		1,282		\$ 47.76	6/1/15				

**Stock****Awards:**

2008

Restricted

Stock

Units(8)

6,120 \$ 264,629

2007

Restricted

Stock

Units(9)

3,123 \$ 135,038

2006

Restricted

Stock

Units(10)

590 \$ 25,512

Total

6,194

45,145

9,833 \$ 425,179

**Jay M.****Ellison****Options:**

2008

Options(1)

61,250

\$ 57.19

4/1/18

2007

Options(2)

10,025

30,075

\$ 73.84

4/2/17

2006

Options(3)

9,319

18,638

\$ 59.43

4/3/16

2005

Options(4)

8,600

\$ 45.63

3/31/15

Amended

Initial

Options(5)

4,613

\$ 75.00

9/1/10

**Stock****Awards:**

2008

Restricted

Stock

Units(8)

13,794 \$ 596,453

2007

Restricted

Stock

Units(9)

7,281 \$ 314,830

2006

Restricted

Stock

Units(10)

3,873 \$ 167,469

Total

23,957

118,563

24,948 \$ 1,078,752

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price	Option Expiration Date	Market Value of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
<b>Michael S. Irizarry</b>									
<b>Options:</b>									
2008									
Options(1)		44,150		\$ 57.19	4/1/18				
2007									
Options(2)	7,206	21,619		\$ 73.84					