CHENIERE ENERGY INC
Form 8-K
December 27, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 20, 2012

CHENIERE ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**1-16383**	**95-4352386**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

700 Milam Street
Suite 800
Houston, Texas **77002**
(Address of principal executive offices) **(Zip Code)**
Registrant s telephone number, including area code: (713) 375-5000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

EPC Contract. Sabine Pass Liquefaction, LLC (Sabine Liquefaction), an indirect wholly owned subsidiary of Cheniere Energy Partners, L.P. and an indirect majority owned subsidiary of Cheniere Energy, Inc., has entered into a Lump Sum Turnkey Agreement for the Engineering, Procurement and Construction of the Sabine Pass LNG Stage 2 Liquefaction Facility dated December 20, 2012 (the EPC Contract) with Bechtel Oil, Gas and Chemicals, Inc. (Bechtel).

Parent Guarantee. Bechtel Global Energy, Inc. will guarantee Bechtel s obligations under the EPC Contract.

Scope of Work. The work to be performed by Bechtel includes procurement, engineering, design, installation, training, commissioning and placing into service of the Stage 2 natural gas liquefaction facility at the Sabine Pass liquefied natural gas (LNG) terminal in Cameron Parish, Louisiana consisting of two liquefaction trains and related facilities, each with a nominal production capacity of approximately 4.5 million tonnes per annum (mtpa).

Contract Price. The EPC Contract provides that Sabine Liquefaction will pay Bechtel a Contract Price of $3,769,000,000. The Contract Price is only subject to adjustment by change order. Bechtel has the right, among other things, to submit change orders in the event Bechtel is adversely affected as a result of a delay in the commencement of construction beyond June 1, 2013.

Bechtel Change Orders. The EPC Contract also entitles Bechtel to a change order amending its rights and obligations to the extent it is adversely affected by any of the following: (i) a change in law, (ii) certain acts or omissions of Sabine Liquefaction, (iii) force majeure, (iv) acceleration of work by Sabine Liquefaction, (v) delay in delivery of insurance proceeds in the case of insured loss, (vi) suspension in work ordered by Sabine Liquefaction, (vii) Sabine Liquefaction s issuance of notice to proceed after June 1, 2013, (viii) subsurface soil conditions materially different from those described in the geotechnical studies, (ix) discovery of hazardous materials for which Sabine Liquefaction is responsible, (x) physical damage caused by a third party not under Bechtel s control, and (xi) other specified reasons in the EPC Contract.

Sabine Liquefaction Change Orders. The EPC Contract entitles Sabine Liquefaction to a change order unilaterally up to certain thresholds and thereafter upon request provided that agreement is reached on any changes to the contract price, project schedule, design, payment schedule, minimum acceptance criteria, performance guarantee and any other obligation of Bechtel under the EPC Contract.

Warranty. In the EPC Contract, Bechtel warrants that (i) the equipment will be new (unless otherwise specified in the EPC Contract) and of good quality, (ii) the work and the equipment will meet the requirements of the EPC Contract, including good engineering and construction practices and applicable laws, codes and standards, and (iii) the work and the equipment will be free from encumbrances to title.

Until 18 months after substantial completion of each liquefaction train, Bechtel will be liable to promptly correct any work that is found defective with respect to such liquefaction train.

Minimum Acceptance Criteria Not Achieved. If a liquefaction train fails to achieve 95% of the performance guarantee set forth in the EPC Contract by the applicable guaranteed substantial completion date, then (i) substantial completion of such liquefaction train will not occur and (ii) Bechtel will pay delay liquidated damages. In addition, Bechtel is required to attempt for 10 months thereafter to correct the work to enable the liquefaction train to achieve the minimum acceptance criteria and otherwise achieve substantial completion. If the liquefaction train has not achieved the minimum acceptance criteria and substantial completion at the end of this 10-month period, then Sabine Liquefaction will have the option of either (i) granting Bechtel an additional 10-month correction period or (ii) declaring a Bechtel default.

Performance Liquidated Damages. If a liquefaction train has not achieved the performance guarantee within a specified period after the guaranteed substantial completion date, then Bechtel is required to pay the applicable performance liquidated damages.

Delay Liquidated Damages. If substantial completion of a liquefaction train occurs after the applicable guaranteed substantial completion date, Bechtel will pay Sabine Liquefaction the applicable daily rate as defined in the EPC Contract until substantial completion of such liquefaction train occurs.

Schedule Bonus. Bechtel will be entitled to receive specified bonuses for timely substantial completion of the liquefaction trains.

Termination By Sabine Liquefaction for Bechtel Default. If Bechtel (i) fails to timely commence the work, (ii) abandons the work, (iii) fails to materially comply with its material obligations, (iv) makes an unpermitted assignment, (v) fails to maintain required insurance, (vi) materially disregards applicable law or applicable standards and codes, or (vii) an insolvency event occurs with respect to Bechtel or its guarantor, then Sabine Liquefaction will have the right to require that Bechtel cure such default. If Bechtel fails to cure such default, or if Bechtel or its guarantor experiences an insolvency event, Sabine Liquefaction, without prejudice to its other rights, may terminate the EPC Contract.

Termination by Sabine Liquefaction for Convenience. Sabine Liquefaction will also have the right to terminate the EPC Contract for its convenience, in which case Bechtel will be paid (i) the portion of the Contract Price for the work performed, (ii) costs reasonably incurred by Bechtel on account of such termination and demobilization, and (iii) a lump sum of between $1,000,000 and $2,500,000 depending on the termination date if the EPC Contract is terminated prior to issuance of the notice to proceed and up to $30,000,000 depending on the termination date if the EPC Contract is terminated after issuance of the notice to proceed.

Termination by Bechtel for Sabine Liquefaction Default. If Sabine Liquefaction (i) fails to pay any undisputed amount, (ii) fails to materially comply with any of its material obligations, or (iii) experiences an insolvency event, then Bechtel has the right to provide written notice demanding that such Sabine Liquefaction default be cured. If Sabine Liquefaction fails to cure such default or Sabine Liquefaction experiences an insolvency event, Bechtel may terminate the EPC Contract.

Termination in the Event of an Extended Force Majeure. If one force majeure event causes suspension of a substantial portion of the work for more than 100 consecutive days or any one or more force majeure events causes suspension of a substantial portion of the work for a period exceeding 180 days in the aggregate during any continuous 24-month period, then either party may terminate the EPC Contract.

Termination in the Event of Delayed Notice to Proceed. If Sabine Liquefaction fails to issue the notice to proceed by December 31, 2013, then either party may terminate the EPC Contract, and Bechtel will be paid costs reasonably incurred by Bechtel on account of such termination and a lump sum of $5,000,000.

Limitation on Bechtel s Liability. Bechtel s liability under the EPC Contract is limited as specified in the EPC Contract, except that this limit does not apply to certain indemnification obligations, to Bechtel s title warranty, or to Bechtel s obligation to complete all work required to ensure that each liquefaction train is ready to receive natural gas and produce LNG.

The descriptions of material terms of the EPC Contract set forth above are not complete, are subject to further provisions (including exceptions, qualifications and alternatives), and are qualified in their entirety by reference to the text of the EPC Contract, which is filed as Exhibit 10.1 hereto and incorporated herein by reference.

Item 8.01 Other Events.

On December 21, 2012, Cheniere Energy Partners, L.P. (the Partnership) issued a press release announcing that it had entered into the EPC Contract. A copy of the press release is filed as Exhibit 99.1 hereto and is incorporated herein by reference. Information included on the Partnership s website is not incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

d) Exhibits

Exhibit Number	Description
10.1*	Lump Sum Turnkey Agreement for the Engineering, Procurement and Construction of the Sabine Pass LNG Stage 2 Liquefaction Facility, dated December 20, 2012, by and between Sabine Pass Liquefaction, LLC and Bechtel Oil, Gas and Chemicals, Inc. (Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.) (Incorporated by reference to Exhibit 10.1 to Cheniere Energy Partners, L.P. s Current Report on Form 8-K (SEC File No. 011-33366), filed on December 27, 2012.)
99.1*	Press Release, dated December 21, 2012. (Incorporated by reference to Exhibit 99.1 to Cheniere Energy Partners, L.P. s Current Report on Form 8-K (SEC File No. 011-33366), filed on December 27, 2012.)

* Incorporated by Reference

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CHENIERE ENERGY, INC.

Date: December 26, 2012

By:	/s/ Meg A. Gentle
Name:	Meg A. Gentle
Title:	Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

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* Incorporated by Reference

;border-bottom:solid #000000 1.0pt;">**Stock Awards Name**

(a) Number of Securities Underlying Unexercised Options: (#) Exercisable

(b) Number of Securities Underlying Unexercised Options: (#) Unexercisable

(c) Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)

(d) Option Exercise Price

(e) Option Expiration Date

(f) Number of Shares or Units of Stock That Have Not

Vested (#)
(g) Market Value of Shares or Units of Stock That Have Not Vested ($)
(h) Equity Incentive Plan Awards Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)
(i) Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
(j)

John E. Rooney

Options:

2008 Options(2)

136,000 $57.19 4/1/18

Stock Awards:

Bonus Match not vested(8)

3,539 $150,089

Total

136,000 3,539 $150,089

Steven T. Campbell

Options:

2009 Options(1)

27,725 $34.10 4/1/19

2008 Options(2)

9,059 18,116 $57.19 4/1/18

2007 Options(3)

8,600 8,600 $73.84 4/2/17

2006 Options(4)

3,788 1,894 $59.43 4/3/16

2005 Options(5)

1,282 $47.76 6/1/15

Stock Awards:

2009 Restricted Stock Units(9)

4,633 $196,486

2008 Restricted Stock Units(10)

6,120 $259,549

2007 Restricted Stock Units(11)

3,123 $132,446

Total

22,729 56,335 13,876 $588,481

Jay M. Ellison(12)

Options:

2009 Options(1)

20,550 $34.10 5/26/10

2008 Options(2)

40,833 $57.19 5/26/10

2007 Options(3)

30,075 $73.84 5/26/10

2006 Options(4)

27,957 $59.43 5/26/10

2005 Options(5)

8,600 $45.63 5/26/10

Amended 2000 Initial Options(6)

4,613 $75.00 5/26/10

Stock Awards:

Total

132,628

	Option Awards					Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options: (#) Exercisable (b)	Number of Securities Underlying Unexercised Options: (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	Equity Incentive Plan Awards Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)
Michael S. Irizarry									
Options:									
2009 Options(1)		44,600		$ 34.10	4/1/19				
2008 Options(2)	14,717	29,433		$ 57.19	4/1/18				
2007 Options(3)	14,412	14,413		$ 73.84	4/2/17				
2006 Options(4)	11,825	5,913		$ 59.43	4/3/16				
2005 Options(5)	5,444			$ 45.63	3/31/15				
Stock Awards:									
2009 Restricted Stock Units(9)						7,453	$ 316,082		
2008 Restricted Stock Units(10)						9,943	$ 421,683		
2007 Restricted Stock Units(11)						5,233	$ 221,932		
Total	46,398	94,359				22,629	$ 959,697		

Jeffrey J. Childs						
Options:						
2009 Options(1)		26,475	$ 34.10	4/1/19		
2008 Options(2)	8,742	17,483	$ 57.19	4/1/18		
2007 Options(3)	8,600	8,600	$ 73.84	4/2/17		
2006 Options(4)	15,675	5,225	$ 59.43	4/3/16		
2005 Options(5)	10,750		$ 45.63	3/31/15		
2004 Initial Options(7)	3,425		$ 43.20	2/17/14		
Stock Awards:						
2009 Restricted Stock Units(9)					4,426	$ 187,707
2008 Restricted Stock Units(10)					5,903	$ 250,346
2007 Restricted Stock Units(11)					3,123	$ 132,446
Total	47,192	57,783			13,452	$ 570,499

Explanation of Columns:

(a) Includes the persons identified in the Summary Compensation Table.

(b) Includes, on an award-by-award basis, the number of securities underlying unexercised stock options, including any awards that have been transferred other than for value, that are exercisable as of December 31, 2009. No awards have been transferred.

(c) Includes on an award-by-award basis, the number of securities underlying unexercised stock options, including any awards that have been transferred other than for value, that are unexercisable as of December 31, 2009. No awards have been transferred.

(d)

This column is not applicable because the identified officers do not have any stock options that are equity incentive plan awards, as defined by SEC rules.

(e)
Represents the exercise prices of the awards identified in columns (b) and (c).

(f)
Represents the expiration dates of the awards identified in columns (b) and (c).

(g)
Represents the total number of shares underlying stock awards that have not vested as of December 31, 2009.

(h)
Represents the aggregate market value of shares underlying stock awards that have not vested as of December 31, 2009, calculated using the closing price of U.S. Cellular Common Shares of $42.41 on December 31, 2009, the last trading day of 2009.

(i)

This column is not applicable because the identified officers do not have any stock awards that are equity incentive plan awards, as defined by SEC rules.

(j)

This column is not applicable because the identified officers do not have any stock awards that are equity incentive plan awards, as defined by SEC rules.

Footnotes:

The following provides additional information with respect to outstanding equity awards at year end. Number references correspond to numbers in the above table. The following discloses the date that stock options were scheduled to become exercisable and that restricted stock units were scheduled to become vested. Note (12) discusses changes to the schedule of option exercisability and restricted stock unit vesting that were made with respect to Jay M. Ellison.

(1)

The 2009 Options are scheduled to become exercisable in annual increments of one third on April 1 of each year beginning in 2010 and ending in 2012, and are exercisable until April 1, 2019 at an exercise price of $34.10 per share. See Information Regarding Option Exercises and Stock Vested Table below relating to 2009 Options granted to John E. Rooney that became exercisable and were exercised in 2009.

(2)

The 2008 Options are scheduled to become exercisable in annual increments of one third on April 1 of each year beginning in 2009 and ending in 2011 (except that such stock options became fully vested on October 1, 2008 with respect to Mr. Rooney), and are exercisable until April 1, 2018 at an exercise price of $57.19 per share.

(3)

The 2007 Options are scheduled to become exercisable in annual increments of 25% on April 2 of each year beginning in 2008 and ending in 2011, and are exercisable until April 2, 2017 at an exercise price of $73.84 per share.

(4)

The 2006 Options are scheduled to become exercisable in annual increments of 25% on April 3 of each year beginning in 2007 and ending in 2010, and are exercisable until April 3, 2016 at an exercise price of $59.43 per share.

(5)

The 2005 Options became exercisable in annual increments of 25% on March 31 of each year beginning in 2006 and ending in 2009, and are exercisable until March 31, 2015 at an exercise price of $45.63 per share, except that the 2005 Options granted to Mr. Campbell became exercisable in annual increments of 25% on June 1 of each year beginning in 2006 and ending in 2009, and are exercisable until June 1, 2015 at an exercise price of $47.76 per share.

(6)

The Amended 2000 Initial Options were originally granted on September 1, 2000 and became exercisable with respect to 20% of the shares underlying the stock option on September 1 of each year beginning in 2001 and ending in 2005, and are exercisable until September 1, 2010 at an exercise price of $73.31 per share. The stock option was amended on December 26, 2006 to correct the exercise price of the stock option to the closing price of the underlying Common Shares as of the date of approval of the original stock option by the

Long-Term Incentive Compensation Committee of $75.00 on September 8, 2000. In connection therewith, U.S. Cellular agreed to pay $7,784 to Mr. Ellison, which was paid in 2007, representing the aggregate amount of a make-whole payment as a result of the increase in the exercise price of the original stock option. The amended stock option with respect to 4,613 shares was exercisable in full at that time.

(7)

The 2004 Initial Options became exercisable in annual increments of 25% on January 19 of each year beginning in 2005 and ending in 2008, and are exercisable until February 17, 2014 at an exercise price of $43.20 per share.

(8)

Represents U.S. Cellular Common Shares underlying phantom stock match units awarded to Mr. Rooney with respect to deferred bonus compensation. One-third of the U.S. Cellular phantom stock match units 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 Mr. Rooney is an employee of U.S. Cellular or an affiliate on such date and the related deferred bonus has not been distributed.

(9)

Such restricted stock units become vested on April 1, 2012.

(10)

Such restricted stock units become vested on April 1, 2011.

(11)

Such restricted stock units become vested on April 2, 2010.

(12)

Pursuant to an Employment, Consulting and General Release Agreement with Jay M. Ellison as discussed below under Table of Potential Payments upon Termination or Change in Control, the exercisability of certain of Mr. Ellison's 2006, 2007, 2008 and 2009 options was accelerated, scheduled option expiration dates were extended with respect to Mr. Ellison's options and the vesting date of the 2007 restricted stock units was accelerated. Pursuant to such agreement, the listed above options are exercisable for a period ending on the earlier of (a) 90 days after the date on which U.S. Cellular's 2009 Form 10-K is filed with the Securities and Exchange Commission, or (b) the tenth anniversary of the grant of such option. Because U.S. Cellular's 2009 Form 10-K was filed with the SEC on February 25, 2010, such options expire 90 days later or on May 26, 2010, which is earlier than the tenth anniversary of the grant of each such option. The stock options granted to Mr. Ellison in 2006, 2007, 2008 and 2009 that would otherwise become exercisable in April 2010 if he remained employed by U.S. Cellular through such time became exercisable immediately prior to Mr. Ellison's resignation date on December 31, 2009. All of Mr. Ellison's options that were unexercisable on December 31, 2009 were forfeited upon his resignation on December 31, 2009. In addition, pursuant to such agreement, the restricted stock units granted to Mr. Ellison in 2007 that would otherwise vest in April 2010 if he remained employed by U.S. Cellular through such time vested immediately prior to Mr. Ellison's resignation date on December 31, 2009. All of Mr. Ellison's other restricted stock units were forfeited upon his resignation on December 31, 2009. Accordingly, Mr. Ellison did not have any unexercisable stock options or unvested restricted stock units outstanding at year end.

Information Regarding Option Exercises and Stock Vested Table

The following table shows, as to the executive officers who are named in the Summary Compensation Table, certain information regarding option exercises and stock vested in 2009.

Option Exercises and Stock Vested

Name (a)	Option Awards: Number of Shares Acquired on Exercise (#) (b)	Option Awards: Value Realized Upon Exercise ($) (c)	Stock Awards: Number of Shares Acquired on Vesting (#) (d)	Stock Awards: Value Realized on Vesting ($) (e)
John E. Rooney(1)				
Options Exercises (Date of Exercise):(4)(5)(6)				
2009 Options (11/6/09)	175,000	$ 763,000		
Stock Awards Vested:				
2009 Restricted Stock Units			6,634	$ 250,168
Bonus Match Units(3)			3,067	$ 130,072
Total	175,000	$ 763,000	9,701	$ 380,240
Steven T. Campbell				
Options Exercises (Date of Exercise):(6)				
Stock Awards Vested:				
2006 Restricted Stock Units(2)			590	$ 21,317
Total		$	590	$ 21,317
Jay M. Ellison				
Options Exercises (Date of Exercise):(6)				
Stock Awards Vested:				
2007 Restricted Stock Units(7)			7,281	$ 308,787
2006 Restricted Stock Units(2)			3,873	$ 139,931

Total	$	11,154	$	448,718
Michael S. Irizarry				
Options Exercises (Date of Exercise):(6)				
Stock Awards Vested:				
2006 Restricted Stock Units(2)		2,458	$	88,808
Total	$	2,458	$	88,808
Jeffrey J. Childs				
Options Exercises (Date of Exercise):(6)				
Stock Awards Vested:				
2006 Restricted Stock Units(2)		2,172	$	78,474
Total	$	2,172	$	78,474

Explanation of Columns:

(a)
Includes the persons identified in the Summary Compensation Table.

(b)
Represents the number of securities for which the stock options were exercised.

(c)
Represents the aggregate dollar value realized upon exercise of stock options, based on the difference between the market value (closing price) of the underlying securities at exercise and the exercise or base price of the stock options.

(d)
Represents the number of shares of stock that have vested. This includes restricted stock units and bonus plan phantom stock match units.

(e)
Represents the aggregate dollar value realized upon vesting of stock, calculated by multiplying the number of units by the market value (closing price) of the underlying shares on the vesting date.

Footnotes:

(1)

Pursuant to John E. Rooney's employment letter agreement, stock options and restricted stock units awarded to Mr. Rooney on April 1, 2009 vested on October 1, 2009. The stock price used to calculate the value realized on vesting of the restricted stock units was the closing price of U.S. Cellular Common Shares of $37.71 on October 1, 2009. Taxes were paid by allowing U.S. Cellular to withhold U.S. Cellular Common Shares having a value equal to the tax withholding amount, or in the case of stock options, the exercise price of such options was paid by allowing U.S. Cellular to withhold U.S. Cellular Common Shares having a value equal to the aggregate exercise price.

(2)

The 2006 restricted stock units became vested on April 3, 2009. The stock price used to calculate the value realized on vesting was the closing price of U.S. Cellular Common Shares of $36.13 on April 3, 2009. Taxes were paid by allowing U.S. Cellular to withhold U.S. Cellular Common Shares having a value equal to the tax withholding amount.

(3)

Pursuant to U.S. Cellular's 2005 Long-Term Incentive Plan, the bonus plan phantom stock match units vest one-third on each of the first three anniversaries of the last day of the year for which the applicable bonus is payable, provided that Mr. Rooney is an employee of U.S. Cellular or an affiliate on such date and the related deferred bonus has not been distributed. The stock price used to calculate the value on vesting was the closing price of U.S. Cellular Common Shares of $42.41 on December 31, 2009, the last trading day in 2009. See "Information Regarding Nonqualified Deferred Compensation" below.

(4)

John E. Rooney exercised stock options with respect to 175,000 Common Shares on November 6, 2009. Such options had been granted on April 1, 2009 and became exercisable with respect to Mr. Rooney on October 1, 2009. The exercise price for such options was $34.10 per share and the closing price of Common Shares on such date was $38.46 per share, resulting in a value of $763,000 realized upon exercise.

(5)

The exercise price with respect to such stock options was paid by allowing U.S. Cellular to withhold U.S. Cellular Common Shares having a value equal to the aggregate exercise price, and taxes were paid by allowing U.S. Cellular to withhold U.S. Cellular Common Shares having a value equal to the tax withholding amount.

(6)

See the Outstanding Equity Awards at Fiscal Year-End Table above for a description of the stock options, restricted stock units and phantom stock match units that continued to be held by the named executive officers at December 31, 2009.

(7)

Pursuant to an Employment, Consulting and General Release Agreement with Jay M. Ellison, the vesting date of his 2007 restricted stock units was accelerated. Pursuant to such agreement, the 2007 restricted stock units that would otherwise vest in April 2010 if he remained employed by U.S. Cellular through such time vested immediately prior to Mr. Ellison's resignation date on December 31, 2009.

Information Regarding Pension Benefits

U.S. Cellular executive officers are covered by a "defined contribution" tax-deferred savings plan, a "defined contribution" pension plan and a related "defined contribution" supplemental plan, as discussed above. The company contributions for each of the named executive officers under these plans are disclosed in column (i), "All Other Compensation," of the Summary Compensation Table. U.S. Cellular does not have any "defined benefit" pension plans (including supplemental plans). The named executive officers only participate in tax-qualified defined contribution plans and a non-qualified defined contribution plan. 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. Accordingly, the Pension Benefits table required to be provided by SEC rules is not applicable.

Information Regarding Nonqualified Deferred Compensation

The following table shows, as to the executive officers who are named in the Summary Compensation Table, certain information regarding nonqualified deferred compensation for the year ended December 31, 2009.

Nonqualified Deferred Compensation

Name (a)	Executive Contributions in Last FY ($) (b)	Registrant Contributions in Last FY ($) (c)	Aggregate Earnings in Last FY ($) (d)	Aggregate Withdrawals Distributions ($) (e)	Aggregate Balance at Last FYE ($) (f)
John E. Rooney					
SERP(1)					
Company contribution		$ 37,504			
Interest up to AFR			$ 14,807		
Interest above AFR			$ 7,183		
Total Interest			$ 21,990		
Balance at year end					$ 336,256
Salary Deferral(2)					
Company contribution	$ 6,618				
Interest up to AFR			$ 8,424		
Interest above AFR			$ 1,485		
Total Interest			$ 9,909		
Balance at year end					$ 187,812
Bonus Deferral and Company Match(4)					
Deferral of 2008 Bonus paid in 2009 12,210 Common Shares	$ 410,000				
Company Match for 2008 Bonus paid in 2009 3,559 Common Shares		$ 119,515			
Changes in value in 2009			$ 112,733		
Ending Balance as of December 31, 2009: 47,715 Common Shares (including 3,539 units that have not vested)					$2,023,593
Aggregate Total(6)	$ 416,618	$ 157,019	$ 144,632		$2,547,661
Steven T. Campbell					
SERP(1)					
Company contribution		$ 20,139			
Interest up to AFR			$ 2,248		
Interest above AFR			$ 1,090		
Total Interest			$ 3,338		
Balance at year end					$ 65,491
Aggregate Total(6)		$ 20,139	$ 3,338		$ 65,491

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Name (a)	Executive Contributions in Last FY ($) (b)	Registrant Contributions in Last FY ($) (c)	Aggregate Earnings in Last FY ($) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last FYE ($) (f)
Jay M. Ellison					
SERP(1)					
Company contribution		$ 32,423			
Interest up to AFR			$ 11,686		
Interest above AFR			$ 5,669		
Total Interest			$ 17,355		
Balance at year end					$ 268,204
Salary Deferral(2)(3)					
Interest up to AFR			$ 7,343		
Interest above AFR			$ 1,952		
Total Interest			$ 9,295		
Distribution				$ (355,541)	
Balance at year end					$
Bonus Deferral and Company Match					
Changes in value in 2009			$ (14,451)		
(Distribution) (3,010) Common Shares(5)				$ (115,701)	
Ending Balance					$
Aggregate Total(6)		$ 32,423	$ 12,199	$ (471,242)	$ 268,204
Michael S. Irizarry					
SERP(1)					
Company contribution		$ 24,954			
Interest up to AFR			$ 7,267		
Interest above AFR			$ 3,526		
Total Interest			$ 10,793		
Balance at year end					$ 171,589
Aggregate Total(6)		$ 24,954	$ 10,793		$ 171,589
Jeffrey J. Childs					
SERP(1)					
Company contribution		$ 17,067			
Interest up to AFR			$ 3,206		
Interest above AFR			$ 1,555		
Total Interest			$ 4,761		
Balance at year end					$ 81,753
Aggregate Total(6)		$ 17,067	$ 4,761		$ 81,753

Explanation of Columns:

(a)
Includes the persons identified in the Summary Compensation Table.

(b)
Represents the dollar amount of aggregate executive contributions during the last fiscal year. The entire amount of the salary earned in 2009 is included in column (c) of the Summary Compensation Table, whether or not deferred. None of the named executive officers deferred their salary in 2009, except that Mr. Rooney deferred $6,618 in 2009 relating to the last payroll for 2008 that was paid in early 2009. With respect to deferred bonus, includes the actual dollar amount of bonus deferred, which amount is also included in column (d) of the Summary Compensation Table. The entire amount of the bonus earned in 2009 is included in column (d) of the Summary Compensation Table, whether or not deferred. Only John E. Rooney deferred a portion of his bonus in 2009. The officer makes an election as to when to receive a distribution of the deferred compensation account.

(c)
Represents the dollar amount of aggregate contributions by U.S. Cellular during the last fiscal year. With respect to the SERP, represents the actual dollar amount contributed with respect to 2009 for the officer. This is the same as the amount reported in column (i) of the Summary Compensation Table. With respect to the company match, represents the value of the shares on the date the bonus match units were awarded with respect to the officer. This is the same as the amount included in column (e) of the Summary Compensation Table.

(d)
Includes the dollar amount of aggregate interest or other earnings accrued during the last fiscal year. With respect to the SERP, represents the actual dollar amount earned in 2009 by the officer, of which any amount that is deemed to be above-market or preferential earnings as defined by SEC rules is included in column (h) of the Summary Compensation Table. With respect to any deferred salary, represents the amount of interest credited to the deferred account for 2009, of which any amount that is deemed to be above-market or preferential earnings as defined by SEC rules is included in column (h) of the Summary

Compensation Table. The amount up to the AFR (as previously defined) is not deemed to be above-market or preferential. The amount above the AFR is deemed to be above-market or preferential and, therefore, is included in the Summary Compensation Table.

Also includes the changes in value of the bonus match units in 2009. This amount is not included in the Summary Compensation Table.

(e)

Represents the aggregate dollar amount of any withdrawals by or distributions to the executive during the last fiscal year. Any such amounts represent withdrawals or distributions of company and/or employee contributions and/or earnings from prior years and are not included in 2009 compensation in the Summary Compensation Table.

(f)

Represents the dollar amount of total balance of the executive's account as of the end of the last fiscal year. With respect to the SERP, represents the actual dollar amount in the executive's account as of December 31, 2009. With respect to any deferred salary, represents the actual dollar amount in the executive's account as of December 31, 2009. With respect to bonus deferral and company match, represents the dollar value of the number of phantom stock units held in the executive's account based on the closing price of the underlying shares of $42.41 on December 31, 2009, the last trading day of the year.

Footnotes:

(1)

Each of the identified officers participates in the SERP. This plan provides supplemental benefits to the TDS 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. The SERP is a non-qualified deferred compensation plan and is intended to be unfunded. Such officers are credited with interest on their balances in the SERP. The interest rate for 2009 was set as of the last trading date of 2008 at 7.95% per annum, based on the yield on ten year BBB rated industrial bonds at such time. Such rate exceeded 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), of 5.35% at such time. Accordingly, pursuant to SEC rules, column (h) of the Summary Compensation Table includes the portion of such interest that exceeded interest calculated using 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the time such interest rate was set.

See "Compensation Discussion and Analysis" for information relating to vesting and distribution of amounts under the SERP.

(2)

Represents deferred salary accounts pursuant to deferred salary compensation agreements for Messrs. Rooney and Ellison. None of the named executive officers deferred their salary in 2009, except that Mr. Rooney deferred $6,618 in 2009 relating to the last payroll for 2008 that was paid in early 2009. All of the annual salary earned is reported in column (c) of the Summary Compensation Table, whether or not deferred. Pursuant to the agreements, the deferred salary 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) of the Summary Compensation Table includes the portion of such interest that exceeded interest calculated using 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 was set.

(3)

Column (e) includes a distribution of Mr. Ellison's account of salary deferred relating to years prior to 2009, including interest, on July 1, 2009.

(4)

The amounts in column (b) represent deferrals of bonus paid in 2009 with respect to 2008 performance. All of the annual bonus is reported in column (d), "Bonus," of the Summary Compensation Table, whether or not deferred. The amounts in column (c) represent the value of company match awards granted with respect to Mr. Rooney in the fiscal year. One-third of the phantom stock match units vest with respect to a particular year's deferred bonus on each of the first three anniversaries of the last day of the year for which the applicable bonus is payable, provided that such officer is an employee of U.S. Cellular or an affiliate on such date and the related deferred bonus has not been distributed. If Mr. Rooney continues as an employee during the entire vesting period, he will receive a total bonus match equal to the sum of (i) 25% of amounts deferred up to 50% of such year's bonus and (ii) 331/3% of amounts deferred that exceed 50% of such year's bonus. The vesting of unvested phantom stock units may accelerate under certain circumstances and the effects of such acceleration are disclosed in the "Potential Payments Upon Termination or Change in Control" table below. The aggregate grant date fair value computed in accordance with FASB ASC 718 of the company match stock units is reported in the Summary Compensation Table in column (e) under "Stock Awards."

Mr. Rooney will receive in shares an amount equal to his vested deferred compensation account balance at the date elected by Mr. Rooney (either Mr. Rooney's separation from service, subject to any delay required by Section 409A of the Internal Revenue Code, or a date specified by Mr. Rooney). See the Compensation Disclosure and Analysis for additional information relating to vesting and distribution of deferred bonus and company match balances.

(5)

Represents a distribution of Mr. Ellison's account on July 1, 2009. The distribution represented 3,010 gross USM Common Shares, having a value of $115,701, based on the closing price on July 1, 2009 of $38.44 per share. Relating to this amount, $93,950 had been reported as bonus and $23,488 had been reported as company match compensation, for a total of $117,438, in the Summary Compensation Table with respect to periods prior to 2007 under prior SEC rules. The amount distributed is lower than the amounts previously reported due to a decline in the U.S. Cellular stock price. After deduction of shares for taxes, Mr. Ellison received a net of approximately 2,160 USM Common Shares.

(6)

Information relating to amounts included in the above Summary Compensation Table for 2009 is discussed in the above notes. As required by SEC rules, the following is a summary of the amount of the total deferred compensation balances reported as compensation in the Summary Compensation Table in prior years, beginning with deferred compensation in 2006, which is the first year in which deferred compensation was reported pursuant to the above table. The below amounts do not include previously reported deferred compensation that has been distributed.

	John E. Rooney	**Steven T. Campbell**	**Jay M. Ellison**	**Michael S. Irizarry**	**Jeffrey J. Childs**
SERP Company Contribution	$ 103,311	$ 41,128	$95,117	$ 78,193	$ 54,671
Salary Deferral	167,164				
Excess Interest	1,362	62	811	452	157
Bonus Deferral	1,500,000				
Company Match	471,588				
Total	$2,243,425	$ 41,190	$95,928	$ 78,645	$ 54,828

Potential Payments Upon Termination or Change In Control

This section discusses, with respect to the executives identified in the Summary Compensation Table, each contract, agreement, plan or arrangement, whether written or unwritten, that provides for payments to such executive at, following, or in connection with any termination, including resignation, severance, retirement or constructive termination, or a Change in Control of U.S. Cellular or a change in the executive officer's responsibilities.

Except as disclosed below, U.S. Cellular does not have any agreements with any of the named executive officers or any plans or policies that provide for severance or other compensation or benefits to the named executive officers upon termination or a Change in Control other than the acceleration of vesting of equity awards upon certain events as discussed herein and as set forth in the Table of Potential Payments upon Termination or Change in Control and under Compensation Disclosure and Analysis Other Benefits and Plans Available to Identified Officers. The acceleration of vesting of awards is considered to be appropriate under certain qualified termination events or a Change in Control as discussed therein, but U.S. Cellular does not consider it appropriate to generally provide for other significant severance or similar benefits in such events or to permit the acceleration of vesting of awards as a general rule for non-qualified termination events. U.S. Cellular considers the fact that, unlike most of its peer companies, which are generally widely held, U.S. Cellular is controlled by TDS, which is controlled by the TDS Voting Trust. As a result, U.S. Cellular does not follow the practices of certain other companies that may provide for substantial benefits upon a termination or a Change in Control as a standard practice. Instead, potential payments upon termination or a Change in Control are designed primarily so that employees are neither harmed nor given a windfall in such circumstances. The acceleration of vesting of awards under certain circumstances is intended to motivate executive officers to act in the best long-term interests of U.S. Cellular.

Notwithstanding the foregoing, U.S. Cellular may enter into agreements or arrangements with officers that provide for severance or other compensation or benefits under circumstances that are negotiated with such officer in connection with the employment or termination of employment of an officer. Any such agreement or arrangement is based on the facts and circumstances at the time relating to the particular employment relationship. For example, see the agreements entered into with John E. Rooney and Jay M. Ellison as discussed below.

The foregoing approach to termination payments is consistent with U.S. Cellular's overall compensation objectives, as discussed above. These objectives assume that officers will be compensated primarily based on performance during their continued employment with U.S. Cellular and are designed to motivate executive officers to act in the best long-term interest of U.S. Cellular, recognizing that U.S. Cellular is a controlled company. As a result, these objectives do not contemplate providing significant benefits with respect to qualified termination events or a Change in Control or providing any benefits upon non-qualified termination events. Accordingly, the limited amounts of termination and Change in Control payments provided as discussed herein are taken into account with all other facts and circumstances, but otherwise do not significantly affect decisions relating to other elements of compensation, which are provided consistent with the foregoing compensation objectives assuming continued employment until normal retirement.

Table of Potential Payments upon Termination or Change in Control

The following table summarizes the estimated payments to be made under each contract, agreement, plan or arrangement which provides for payments to a named executive officer at, following, or in connection with any termination of employment including by resignation, retirement, disability or a constructive termination of a named executive officer, or a Change in Control or a change in the named executive officer's responsibilities. However, in accordance with SEC regulations, the following does not report any amount to be provided to a named executive officer under any arrangement that does not discriminate in scope, terms, or operation in favor of our executive officers and which is available generally to all employees. Also, the following table does not repeat information disclosed above under the Nonqualified Deferred Compensation table or the Outstanding Equity Awards at Fiscal Year-End table, except to the extent that the amount payable to the named executive officer would be enhanced or accelerated by the termination event.

The following table provides quantitative disclosure, assuming that the triggering event took place on December 31, 2009, the last business day of 2009 and, if applicable, that the price per share of the registrant's securities is the closing market price as of December 31, 2009. All of John E. Rooney's awards granted prior to 2010 other than bonus match awards have vested pursuant to his agreement with U.S. Cellular. See footnote (1) to the below table. The vesting of his bonus match units will accelerate in the event of a qualified disability, qualified retirement, death or, upon approval by the board of directors, a Change in Control. With respect to the other officers, the following represent additional payments that may become due as a result of the acceleration of the vesting of stock options and/or restricted stock units and/or bonus match units upon the following triggering events: (i) a qualified disability (for restricted stock units and bonus match units but not stock options), (ii) a qualified retirement, (iii) a Change in Control (as defined above, and upon approval by the board of directors) and (iv) death (for restricted stock units and bonus match units but not stock options) (collectively, "Triggering Events"). No such additional payments would be made in the event of any other termination of employment or service. In addition, the below table identifies all other payments that may be made pursuant to agreements, if any. In particular, the following shows the actual amount of compensation and payments to be made to Jay M. Ellison pursuant to an agreement relating to his retirement on December 31, 2009 (not including compensation already reflected in the above tables because they have been earned or become due as of December 31, 2009). See Note (4) to the below table.

Table of Potential Payments upon Termination or Change in Control

Name (a)	Early Vesting of Options ($) (b)	Early Vesting of Restricted Stock Units ($) (c)	Early Vesting of Bonus Stock Match Units ($) (d)	Other ($) (e)	Total ($) (f)
John E. Rooney(1)					
Bonus Stock Match Units for 3,539 Common Shares for unvested shares as of December 31, 2009			$ 150,089		$ 150,089
Aggregate Totals			$ 150,089		$ 150,089
Steven T. Campbell					
Stock Options for 27,725 Common Shares(2)	$ 230,394				$ 230,394
Restricted Stock Units for 13,876 Common Shares(3)		$ 588,481			$ 588,481
Aggregate Totals	$ 230,394	$ 588,481			$ 818,875
Jay M. Ellison(4)					
Payment due July 1, 2010				$ 77,700	$ 77,700
Payment due January 3, 2011				$ 125,000	$ 125,000
Payment due January 2, 2012				$ 125,000	$ 125,000
Aggregate Totals				$ 327,700	$ 327,700

Name (a)	Early Vesting of Options ($) (b)	Early Vesting of Restricted Stock Units ($) (c)	Early Vesting of Bonus Stock Match Units ($) (d)	Other ($) (e)	Total ($) (f)
Michael S. Irizarry					
Stock Options for 44,600 Common Shares(2)	$ 370,626				$ 370,626
Restricted Stock Units for 22,629 Common Shares(3)		$ 959,696			$ 959,696
Aggregate Totals	$ 370,626	$ 959,696			$ 1,330,322
Jeffrey J. Childs					
Stock Options for 26,475 Common Shares(2)	$ 220,007				$ 220,007
Restricted Stock Units for 13,452 Common Shares(3)		$ 570,499			$ 570,499
Aggregate Totals	$ 220,007	$ 570,499			$ 790,506

Explanation of Columns:

(a) Includes the persons identified in the Summary Compensation Table.

(b) Represents the maximum potential value of accelerated stock options assuming that a Triggering Event took place on December 31, 2009 and that the price per share of the registrant's securities is the closing market price as of December 31, 2009, the last trading day in 2009. The stock price used was the closing price of U.S. Cellular Common Shares of $42.41 on December 31, 2009. Includes only the aggregate difference between the exercise price of such stock options and such year end stock price.

(c) Represents the maximum potential value of accelerated restricted stock units assuming that a Triggering Event took place on December 31, 2009 and that the price per share of the registrant's securities is the closing market price as of December 31, 2009, the last trading day in 2009. The stock price used was the closing price of U.S. Cellular Common Shares of $42.41 on December 31, 2009.

(d) Represents the maximum potential value of accelerated bonus match units assuming that a Triggering Event took place on December 31, 2009 and that the price per share of the registrant's securities is the closing market price as of December 31, 2009, the last trading day in 2009. The stock price used was the closing price of U.S. Cellular Common Shares of $42.41 on December 31, 2009. Mr. Rooney has met the requirements applicable to bonus match awards for a qualified retirement and thus accelerated vesting of his bonus match awards would occur upon his termination. As disclosed above, U.S. Cellular has announced that Mr. Rooney will retire in 2010.

(e) Represent potential payments as of December 31, 2009 as a result of the retirement of Jay Ellison on December 31, 2009. See note (4) below.

(f) Represents the total of columns (b) through (e).

Although U.S. Cellular has attempted to make a reasonable estimate (or a reasonable estimated range of amounts) applicable to the payment or benefit based on the disclosed material assumptions, the calculation of the foregoing represents forward-looking statements that involve risks, uncertainties and other factors that may cause actual results to be significantly different from the amounts expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include those set forth under "Risk Factors" in U.S. Cellular's Form 10-K for the year ended December 31, 2009.

Perquisites and other personal benefits or property payable upon termination or change in control are excluded only if the aggregate amount of such compensation will be less than $10,000. A perquisite or personal benefit is specifically identified only if it exceeds the greater of $25,000 or 10% of the total amount of perquisites and personal benefits for an officer. Any perquisite or personal benefit is valued on the basis of the aggregate incremental cost of such perquisite or personal benefit to U.S. Cellular.

No information is provided with respect to contracts, agreements, plans or arrangements to the extent they do not discriminate in scope, terms or operation, in favor of executive officers of U.S. Cellular and that are available generally to all employees.

Footnotes:

(1)

U.S. Cellular has certain arrangements with John E. Rooney relating to vesting of stock options and restricted stock units. Reference is made to U.S. Cellular's Form 8-K dated March 26, 2000 for further information. Pursuant to these arrangements, all unvested stock options and restricted stock units granted on or prior to April 10, 2007 became vested as of October 10, 2007, and all stock options and restricted stock units granted after April 10, 2007 vest six months after the date of grant, as discussed above. Accordingly, Mr. Rooney would have no further benefits or acceleration as a result of termination or Change in Control (assuming a triggering event that takes place at year end), except with respect to bonus stock match units as set forth in the above table.

(2)

The following table shows the calculation of the difference between the exercise price of such stock options and such year end stock price. No dollar amount due upon acceleration is reflected in the table for options with an exercise price which exceeded the closing price of the USM shares on December 31, 2009 of $42.41 per share.

Option (Per Share Exercise Price of Options)	Number of Shares Underlying Specified Awards that are Unvested at 12/31/09	Value at 12/31/09 based on $42.41 per share	Less Aggregate Exercise Price	Difference (if Positive)
Steven T. Campbell				
2009 Options ($34.10)	27,725	$ 1,175,817	$ 945,423	$ 230,394
2008 Options ($57.19)	18,116	$ 768,300	$ 1,036,054	$
2007 Options ($73.84)	8,600	$ 364,726	$ 635,024	$
2006 Options ($59.43)	1,894	$ 80,325	$ 112,560	$
Total	56,335			$ 230,394
Jay M. Ellison (See Note 4)				
Michael S. Irizarry				
2009 Options ($34.10)	44,600	$ 1,891,486	$ 1,520,860	$ 370,626
2008 Options ($57.19)	29,433	$ 1,248,254	$ 1,683,273	$
2007 Options ($73.84)	14,413	$ 611,255	$ 1,064,256	$
2006 Options ($59.43)	5,913	$ 250,770	$ 351,410	$
Total	94,359			$ 370,626
Jeffrey J. Childs				
2009 Options ($34.10)	26,475	$ 1,122,805	$ 902,798	$ 220,007

2008 Options ($57.19)	17,483	$	741,454	$	999,853	$	
2007 Options ($73.84)	8,600	$	364,726	$	635,024	$	
2006 Options ($59.43)	5,225	$	221,592	$	310,522	$	
Total	57,783					$	220,007

(3)

See the "Outstanding Equity Awards at Fiscal Year-End" table for detail of Restricted Stock Units.

(4)

In connection with the retirement of Jay M. Ellison on December 31, 2009, U.S. Cellular entered into an Employment, Consulting and General Release Agreement with Mr. Ellison dated as of November 3, 2009. A copy of such agreement was filed by U.S. Cellular on a Current Report on Form 8-K dated November 3, 2009. Pursuant to this agreement, subject to the terms and conditions thereof (i) Mr. Ellison continued to serve as Executive Vice President and Chief Operating Officer of U.S. Cellular through December 31, 2009 (the "Resignation Date"), and continued to receive his base salary and employment benefits through the Resignation Date, (ii) following the Resignation Date, Mr. Ellison was permitted to elect to participate, at his cost, in the retiree health plan and Medicare supplement plan of U.S. Cellular's parent, Telephone and Data Systems, Inc., (iii) the portion of the stock options granted to Mr. Ellison in 2006, 2007, 2008 and 2009, that would otherwise become exercisable in April 2010 if he remained employed by U.S. Cellular through such time, became exercisable immediately prior to the Resignation Date (a total of options with respect to 60,310 Common Shares), and exercisable options held by Mr. Ellison as of the Resignation Date (a total of options with respect to 132,628 Common Shares) are exercisable by him for a period ending on the earlier of (a) 90 days after the date on which U.S. Cellular's 2009 Form 10-K is filed with the SEC, or (b) the tenth anniversary of the grant of such option, (iv) the restricted stock units granted to Mr. Ellison in 2007 that would otherwise vest in April 2010 if he remained employed by U.S. Cellular through such time (relating to 7,281 Common Shares) vested immediately prior to the Resignation Date, (v) Mr. Ellison received a bonus in 2010 for 2009 performance pursuant to the terms of the U.S. Cellular 2009 Executive Officer Annual Incentive Plan (a total of $244,283 as reported for 2009 in the Summary Compensation Table above) and (vi) Mr. Ellison will be paid for unused vacation days and will receive pension and other retirement payments in accordance with the terms of the applicable plans. In addition, pursuant to this agreement and subject to the terms and conditions thereof, (i) from January 1, 2010 until March 31, 2010, Mr. Ellison will perform certain specified services for U.S. Cellular as a nonemployee, independent contractor, (ii) on July 1, 2010, U.S. Cellular will pay Mr. Ellison $72,700 for such consulting services plus a one-time payment of $5,000 as the reimbursement of miscellaneous business expenses, for a total of $77,700, (iii) Mr. Ellison will be required to comply with a general release and covenant not to sue and covenants relating to non-competition, non-disclosure of confidential information, non-solicitation of U.S. Cellular employees, cooperation with U.S. Cellular in the event of any proceedings and communications relating to U.S. Cellular, and (iv) on each of January 3, 2011 and January 2, 2012, U.S. Cellular will pay Mr. Ellison $125,000 in consideration for his obligations under such agreement. The value of Mr. Ellison's options and restricted stock units modified pursuant to the agreement is not reflected in the above table because the options and restricted stock units were modified in 2009 and the incremental fair thereof was reflected in the Summary Compensation Table in 2009. Subsequently in 2010, Mr. Ellison agreed to perform certain additional consulting services not contemplated by the foregoing agreement at the rate of $250.00 per hour. Since the consulting compensation at the rate of $250.00 per hour was not part of the foregoing original agreement, is compensation for future services rather than an amount that was known or contemplated as of December 31, 2009, was agreed to be paid to Mr. Ellison after he ceased to be an executive officer and will be based on the number of hours worked, it is not included in the above table.

Compensation of Directors

The following table shows, as to directors who are not executive officers of U.S. Cellular or TDS, certain information regarding director compensation paid in 2009.

Director Compensation

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (f)	All Other Compensation ($) (g)	Total ($) (h)
James Barr III (1)	$ 17,250	$					$ 17,250
Walter C.D. Carlson	$ 75,505	$ 45,000					$ 120,505
J. Samuel Crowley	$ 129,005	$ 45,000					$ 174,005
Ronald E. Daly	$ 91,255	$ 45,000					$ 136,255
Paul-Henri Denuit (2)	$ 135,500	$					$ 135,500
Harry J. Harczak, Jr.	$ 102,255	$ 45,000					$ 147,255
Gregory P. Josefowicz (1)	$ 17,250	$					$ 17,250

Explanation of Columns:

(a)

Includes each director unless such director is an executive officer whose compensation, including any compensation for service as a director, is fully reflected in the Summary Compensation Table, except for directors that do not receive any compensation directly from U.S. Cellular as discussed in the next paragraph. Accordingly, the above includes only non-employee directors. Directors who are employees of TDS or its subsidiaries do not receive directors fees or any compensation directly from U.S. Cellular.

LeRoy T. Carlson, Jr., LeRoy T. Carlson and Kenneth R. Meyers received no compensation directly from U.S. Cellular. Such persons are or were compensated by TDS in connection with their services as officers of TDS and TDS subsidiaries, including U.S. Cellular. A portion of such persons' compensation expense incurred 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." 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 80% of LeRoy T. Carlson, Jr.'s compensation expense in 2009, approximately 79% of Kenneth R. Meyers' compensation expense in 2009 and approximately 80% of LeRoy T. Carlson's compensation expense in 2009 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 2010 annual meeting of shareholders.

(b)

Includes the aggregate dollar amount of all fees earned or paid in cash for services as a director, including annual retainer fees, committee and/or chairmanship fees, and meeting fees.

(c)

The above amounts represent the aggregate grant date fair value computed in accordance with FASB ASC 718. Pursuant to the terms of the plan as amended (see "Narrative Disclosure to Director Compensation Table" below), represents the 2009 annual stock award of $45,000. Based on the closing price of $34.40 of the USM Common Shares on February 27, 2009, the last trading day in February 2009, 1,308 shares were issued. The following table discloses certain additional information with respect to stock awards to non-employee directors:

Name	Aggregate Number of awards of U.S. Cellular Common Shares outstanding at December 31, 2009	Aggregate Number of U.S. Cellular Common Shares underlying Stock Awards Granted in 2009	Aggregate Grant Date Fair Value of Stock Awards in 2009
James Barr III			
Walter C.D. Carlson		1,308	$ 45,000
J. Samuel Crowley		1,308	$ 45,000
Ronald E. Daly		1,308	$ 45,000
Paul-Henri Denuit			
Harry J. Harczak, Jr.		1,308	$ 45,000
Gregory P. Josefowicz			

(d)
This column is not applicable because non-employee directors do not receive stock options.

(e)
This column is not applicable because non-employee directors do not participate in any non-equity incentive plans, as defined by SEC rules.

(f)
This column is not applicable because non-employee directors do not participate in any defined benefit pension plans or pension plans (including supplemental plans) where the retirement benefit is actuarially determined or receive any earnings on deferred compensation.

(g)
This column is not applicable because there is no other compensation.

(h)
Represents the sum of all amounts reported in columns (b) through (g).

Footnotes:

(1)
James Barr III and Gregory P. Josefowicz were previously directors of TDS. As a result of the settlement of an election contest in 2009, Messrs. Barr and Josefowicz ceased to be directors of TDS when their terms expired at the TDS 2009 annual meeting. However, as the controlling shareholder of U.S. Cellular, TDS voted for James Barr III and Gregory P. Josefowicz to be elected as directors of U.S. Cellular at the 2009 annual meeting of U.S. Cellular and such persons were elected as directors of U.S. Cellular at such meeting. Messrs. Barr and Josefowicz did not receive stock awards for 2009 because 2009 stock awards were granted for service as a director of U.S. Cellular from March 1, 2008 through February 28, 2009, which period preceded the election of Messrs. Barr and Josefowicz to the U.S. Cellular board of directors.

(2)
Paul-Henri Denuit did not receive a stock award in 2009 because he is not a citizen of the United States and pursuant to the terms of the Non-Employee Directors' Plan (as described below), has elected to receive the annual stock award ($45,000 in 2009) in the form of cash. This is included in the Director Compensation table above in column (b), Fees Earned or Paid in Cash.

Narrative Disclosure to Director Compensation Table

The following provides additional information with respect to director compensation. All director compensation is approved by the full board of directors.

Non-employee directors of U.S. Cellular participate in a compensation plan for non-employee directors (the "Non-Employee Directors' Plan"). A non-employee director is a director who is not an employee of U.S. Cellular, TDS, TDS Telecom or any other subsidiary of TDS. The purpose of the Non-Employee Directors' Plan is to provide appropriate compensation to non-employee directors in connection with their services to U.S. Cellular and to ensure qualified persons serve as non-employee members of our board of directors. The following describes 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, 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 plan provided that the annual stock award of $55,000 that was distributed in March 2009 was distributed $45,000 in the form of Common Shares and $10,000 in the form of cash. The payment of $10,000 in cash is included in the Director Compensation table above in column (b), Fees Earned or Paid in 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 Long-Term Incentive 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 Non-Employee 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.

Directors have the authority without further shareholder approval to amend the Non-Employee 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.

The board of directors reserved 60,000 Common Shares for issuance pursuant to the Non-Employee Directors' Plan, of which approximately 12,100 Common Shares have been issued as of February 28, 2010.

Directors are also reimbursed for travel and expenses incurred in attending board and committee meetings, director education and other board or company related matters pursuant to U.S. Cellular's travel and expense reimbursement policy.

None of the directors had stock awards or stock option awards outstanding at fiscal year end.

Compensation Committee Interlocks and Insider Participation

LeRoy T. Carlson, Jr., is a member of the board of directors of TDS and U.S. Cellular. Mr. Carlson is also the Chairman of U.S. Cellular and, as such, functions as the compensation committee of U.S. Cellular with respect to compensation other than long-term incentive compensation. He is compensated by TDS for his services to TDS and all of its subsidiaries. However, as discussed above, a portion of Mr. Carlson's compensation paid by TDS is allocated to U.S. Cellular as part of the management fee under the intercompany agreement described below. John E. Rooney, a director and President and Chief Executive Officer of U.S. Cellular, participated in executive compensation decisions for U.S. Cellular, other than for himself.

Long-term incentive compensation for executive officers is approved by our Long-Term Incentive Compensation Committee, which currently consists of Paul-Henri Denuit, J. Samuel Crowley and Ronald E. Daly. Our Long-Term Incentive Compensation Committee is comprised of members of our board of directors who are independent, as discussed above. None of such persons was, during 2009, an officer or employee of U.S. Cellular or its affiliates, was formerly an officer of U.S. Cellular or had any relationship requiring disclosure by U.S. Cellular under any paragraph of Item 404 of SEC Regulation S-K.

LeRoy T. Carlson, Jr. and Walter C.D. Carlson, directors of U.S. Cellular, are trustees and beneficiaries of the voting trust which controls TDS, which controls U.S. Cellular, and LeRoy T. Carlson, a director of U.S. Cellular, is a beneficiary of such voting trust. See "Security Ownership of Certain Beneficial Owners and Management" below.

Walter C.D. Carlson is a director and non-executive Chairman of the Board of TDS and a director of U.S. Cellular.

In addition, LeRoy T. Carlson, Jr., LeRoy T. Carlson and Kenneth R. Meyers, executive officers and/or directors of U.S. Cellular, are directors and/or executive officers of TDS. Each of such persons is a director of U.S. Cellular and LeRoy T. Carlson, Jr. is the Chairman of U.S. Cellular and Kenneth R. Meyers is the Chief Accounting Officer of U.S. Cellular. In addition, LeRoy T. Carlson, Jr. is a director and President and Chief Executive Officer of TDS, LeRoy T. Carlson is a director emeritus and Chairman Emeritus of TDS and Kenneth R. Meyers is a director and Executive Vice President and Chief Financial Officer of TDS. None of LeRoy T. Carlson, Jr., LeRoy T. Carlson or Kenneth R. Meyers received any compensation directly from U.S. Cellular in their capacities as directors and/or executive officers of U.S. Cellular in 2009. Such persons are compensated by TDS in connection with their services as officers of TDS and TDS subsidiaries, including U.S. Cellular. A portion of such persons' compensation expense incurred 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." 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. Approximately 80% of LeRoy T. Carlson, Jr.'s compensation expense in 2009, approximately 80% of LeRoy T. Carlson's compensation expense in 2009 and approximately 79% of Kenneth R. Meyers' compensation expense in 2009 was included by TDS in the total management fee to U.S. Cellular for 2009. Information with respect to compensation from TDS to LeRoy T. Carlson, Jr., LeRoy T. Carlson and Kenneth R. Meyers is included in TDS' proxy statement related to its 2010 annual meeting of shareholders.

Other Relationships and Related Transactions

U.S. Cellular has entered into a number of arrangements and transactions with TDS. Some of these arrangements were established at a time prior to our initial public offering when TDS owned more than 90% of our outstanding capital stock and were not the result of arm's length negotiations. There can be no assurance that such arrangements will continue or that the terms of such arrangements will not be modified in the future. If additional transactions occur in the future, there can be no assurance that the terms of such future transactions will be favorable to us or will continue to provide us with the same level of support for our financing and other needs as TDS has provided in the past. The principal arrangements that exist between U.S. Cellular and TDS are summarized below.

Exchange Agreement

U.S. Cellular and TDS are parties to an exchange agreement dated July 1, 1987, as amended as of April 7, 1988.

Common Share Purchase Rights; Potential Dilution. The exchange agreement granted TDS the right to purchase additional Common Shares of U.S. Cellular sold after our initial public offering, to the extent necessary for TDS to maintain its proportionate interest in our Common Shares. For purposes of calculating TDS' proportionate interest in our Common Shares, the Series A Common Shares are treated as if converted into Common Shares. Upon notice to U.S. Cellular, TDS is entitled to subscribe to each issuance in full or in part at its discretion. If TDS decides to waive, in whole or in part, one or more of its purchase opportunities, the number of Common Shares subject to purchase as a result of subsequent issuances will be further reduced.

If TDS elects to exercise its purchase rights, it is required to pay cash for all Common Shares issued to it by us, unless otherwise agreed. In the case of sales by us of Common Shares for cash, TDS is required to pay the same price per Common Share as the other buyers. In the case of sales for consideration other than cash, TDS is required to pay cash equal to the fair market value of such other consideration as determined by our board of directors. Depending on the price per Common Share paid by TDS upon exercise of these rights, the issuance of Common Shares by us pursuant thereto could have a dilutive effect on our other shareholders. The purchase rights described above are in addition to the preemptive rights granted to TDS as a holder of Series A Common Shares under our restated certificate of incorporation.

Funding of License Costs. Through the date of our initial public offering, TDS had funded or made provisions to fund all the legal, engineering and consulting expenses incurred in connection with the wireline application and settlement process and that portion of the price of cellular interests acquired by purchase that represented the cost of cellular licenses. Pursuant to the exchange agreement, as amended, TDS has agreed to fund as an additional capital contribution, without the issuance of additional stock or the payment of any other consideration to TDS, additional costs associated with the acquisition of the additional cellular interests that we had a right to acquire at the time of the initial public offering. Through December 31, 2009, TDS had funded costs totaling approximately $67.2 million. TDS is obligated under the exchange agreement to make additional capital contributions to us under certain circumstances. Currently, TDS has no obligations with respect to additional capital contributions.

RSA Rights. Under the exchange agreement: (a) TDS retained all its rights to file applications for and obtain the wireline licenses to operate cellular systems in Rural Service Areas ("RSAs"); (b) TDS retained the right to exchange these RSA rights for additional interests in cellular systems in which we have an interest or interests in cellular systems within the same or other Metropolitan Statistical Areas ("MSAs") or in RSAs; (c) TDS retained the right to acquire telephone, paging or other non-cellular companies with interests in cellular systems; (d) TDS retained the right to acquire interests in RSAs in which we indicated we did not desire to participate; and (e) the rights referred to in (a), (b), (c) and (d) above were to remain the property of TDS unless transferred to us for appropriate consideration.

Right of Negotiation. For certain interests, if TDS desires to sell its interest in any RSA, TDS is required to give us the opportunity to negotiate for such interest, subject to TDS being legally able to transfer the interest free of any restrictions on its sale or transfer. If we desire to purchase any interest so offered, TDS is required to negotiate with us concerning the terms and conditions of the transaction, including the price and the method of payment. If we are unable to agree with TDS on the terms and conditions of the transaction during a 60-day negotiation period, TDS would thereafter be under no obligation to offer the interest to us, except if TDS proposed to sell the interest within a year after the end of the negotiation period at a price equal to or lower than our highest written offer during the negotiation period. In such case, we would have the right to purchase the interest at that price.

Corporate Opportunity Arrangements. Our restated certificate of incorporation, as amended, provides that, so long as at least 500,000 U.S. Cellular Series A Common Shares are outstanding, we may not, without the written consent of TDS, engage in any non-cellular activities. We have been informed that TDS intends to give its consent to the acquisition of any non-cellular interest that is incidental to the acquisition of a cellular interest. However, TDS could impose conditions on any such consent, including a requirement that we resell any non-cellular interest to TDS or that we give TDS the right of first refusal with respect to such sale.

Our restated certificate of incorporation, as amended, also restricts the circumstances under which we are entitled to claim that an opportunity, transaction, agreement or other arrangement to which TDS, or any person in which TDS has or acquires a financial interest, is or should be our property. In general, so long as at least 500,000 U.S. Cellular Series A Common Shares are outstanding, we will not be entitled to any such "corporate opportunity" unless it relates solely to the construction of, the ownership of interests in, and/or the management of, cellular telephone systems, and then only if such corporate opportunity did not arise in any way as a result of the rights otherwise retained by TDS. Our restated certificate of incorporation allows us to pursue future opportunities to provide cellular service and design, consulting, engineering and construction management services for cellular telecommunications systems located outside the United States. The foregoing provisions are also included in the Exchange Agreement.

Tax Allocation Agreement

We have entered into a tax allocation agreement with TDS under which we have agreed to join in filing consolidated Federal income tax returns with the TDS affiliated group unless TDS requests otherwise. Pursuant to such agreement, TDS files Federal income tax returns and pays Federal income taxes for all members of the TDS consolidated group, including U.S. Cellular and its subsidiaries. U.S. Cellular and its subsidiaries pay TDS for Federal taxes based on the amount they would pay if they were filing a separate return as their own affiliated group and were not included in the TDS affiliated group. These payments are based on the average tax rate (excluding the effect of tax credits) of the TDS affiliated group. Any deficiency in tax thereafter proposed by the IRS for any consolidated return year that involves income, deductions or credits of U.S. Cellular or its subsidiaries, and any claim for refund of tax for any consolidated return year that involves such items, will be contested or prosecuted at the sole discretion of TDS and at our expense. To the extent that any deficiency in tax or refund of tax is finally determined to be attributable to the income, deductions or credits of U.S. Cellular, such deficiency or refund will be payable by or to us. Under the tax allocation agreement, U.S. Cellular paid $35.9 million, net of refunds, to TDS for federal income taxes in 2009.

If we cease to be a member of the TDS affiliated group, and for a subsequent year U.S. Cellular and its subsidiaries are required to pay a greater amount of Federal income tax than they would have paid if they had not been members of the TDS affiliated group after June 30, 1987, TDS will reimburse us for the excess amount of tax, without interest. In determining the amount of reimbursement, any profits or losses from new business activities acquired by us or our subsidiaries after we leave the TDS affiliated group will be disregarded. No reimbursement will be required if at any time in the future U.S. Cellular becomes a member of another affiliated group in which U.S. Cellular is not the common parent or fewer than 500,000 U.S. Cellular Series A Common Shares are outstanding. In addition, reimbursement will not be required on account of the income of any subsidiary of U.S. Cellular if more than 50% of the voting power of such subsidiary is held by a person or group other than a person or group owning more than 50% of the voting power of TDS.

Rules similar to those described above will be applied to any state or local franchise or income tax liabilities to which TDS and U.S. Cellular and its subsidiaries are subject and which are required to be determined on a unitary, combined or consolidated basis. Under such rules, U.S. Cellular received $3.0 million, net of payments, from TDS for such taxes in 2009.

Cash Management Agreement

From time to time we deposit our excess cash with TDS for investment under TDS' cash management program pursuant to the terms of a cash management agreement. Such deposits are available to us on demand and bear interest each month at the 30-day commercial paper rate reported in The Wall Street Journal on the last business day of the preceding month plus $^1/_4$%, or such higher rate as TDS may in its discretion offer on such demand deposits. We may elect to place funds for a longer period than on demand in which event, if such funds are placed with TDS, they will bear interest at the commercial paper rate for investments of similar maturity plus $^1/_4$%, or at such higher rate as TDS may in its discretion offer on such investments.

Intercompany Agreement

In order to provide for certain transactions and relationships between the parties, U.S. Cellular and TDS have agreed under an intercompany agreement, among other things, as follows:

Services. U.S. Cellular and TDS make available to each other from time to time services relating to operations, marketing, human resources, accounting, customer services, customer billing, finance, and general administration, among others. Unless otherwise provided by written agreement, services provided by TDS or any of its subsidiaries are charged and paid for in conformity with the customary practices of TDS for charging TDS' non-telephone company subsidiaries. Payments by us to TDS for such services totaled $85.1 million in 2009. For services provided to TDS, we receive payment for the salaries of our employees and agents assigned to render such services (plus 40% of the cost of such salaries in respect of overhead) for the time spent rendering such services, plus out-of-pocket expenses. Payments by TDS to us for such services were nominal in 2009.

Equipment and Materials. We purchase materials and equipment from TDS and its subsidiaries on the same basis as materials and equipment are purchased by any TDS affiliate from another TDS affiliate. Purchases by us from TDS affiliates totaled $21.3 million in 2009.

Accountants and Legal Counsel. We have agreed to engage the firm of independent registered public accountants selected by TDS for purposes of auditing our financial statements, including the financial statements of our direct and indirect subsidiaries, and providing certain other services. We have also agreed that, in any case where legal counsel is to be engaged to represent the parties for any purpose, TDS has the right to select the counsel to be engaged, which may be the same counsel selected to represent TDS unless such counsel deems there to be a conflict. If we use the same counsel as TDS, each of us and TDS is responsible for the portion of the fees and expenses of such counsel determined by such counsel to be allocable to each.

Indemnification. We have agreed to indemnify TDS against certain losses, claims, damages or liabilities, including those arising out of: (1) the conduct of our business (except where the loss, claim, damage or liability arises principally from TDS' gross negligence or willful misconduct); and (2) any inaccurate representation or breach of warranty under the Intercompany Agreement. TDS will similarly indemnify us with respect to: (1) the conduct by TDS of its non-cellular businesses before July 1, 1987 (except where the loss, claim, damage or liability arises principally from U.S. Cellular's gross negligence or willful misconduct); and (2) any inaccurate representation or breach of warranty under the Intercompany Agreement.

Disposal of Company Securities. TDS will not dispose of any of our securities held by it if such disposition would result in the loss of any license or other authorization held by us and such loss would have a material adverse effect on us.

Transfer of Assets. Without the prior written consent of TDS, we may not transfer (by sale, merger or otherwise) more than 15% of our consolidated assets unless the transferee agrees to become subject to the Intercompany Agreement.

Registration Rights Agreement; Other Sales of Common Shares

Under a registration rights agreement, we have agreed, upon the request of TDS, to file one or more registration statements under the Securities Act of 1933 or take other appropriate action under the laws of foreign jurisdictions in order to permit TDS to offer and sell, domestically or abroad, any of our debt or equity securities that TDS may hold at any time. TDS will pay all costs relating thereto and any underwriting discounts and commissions relating to any such offering, except that we will pay the fees of any counsel, accountants, trustees, transfer agents or other agents retained by U.S. Cellular in connection therewith. TDS has the right to select the counsel we retain to assist it to fulfill any of its obligations under the registration rights agreement.

There is no limitation on the number or frequency of the occasions on which TDS may exercise its registration rights, except that we will not be required to comply with any registration request unless, in the case of a class of equity securities, the request involves at least the lesser of 1,000,000 shares or 1% of the total number of shares of such class then outstanding, or, in the case of a class of debt securities, the principal amount of debt securities covered by the request is at least $5,000,000. We have also granted TDS the right to include our securities owned by TDS in certain registration statements covering offerings by us and will pay all costs of such offerings other than incremental costs attributable to the inclusion of our securities owned by TDS in such registration statements.

We will indemnify TDS and its officers, directors and controlling persons against certain liabilities arising under the laws of any country in respect of any registration or other offering covered by the registration rights agreement. We have the right to require TDS to delay any exercise by TDS of its rights to require registration and other actions for a period of up to 90 days if, in our judgment, any offering by us then being conducted or about to be conducted would be materially adversely affected. TDS has further agreed that it will not include any of our securities in any registration statement filed by us which, in the judgment of the managing underwriters, would materially adversely affect any offering by us. The rights of TDS under the registration rights agreement are transferable to non-affiliates of TDS.

Insurance Cost Sharing Agreement

Pursuant to an insurance cost sharing agreement, we and our officers, directors and employees are afforded coverage under certain insurance policies purchased by TDS. A portion of the premiums payable under each such policy is allocated by TDS to us on the same basis as premiums were allocated before the insurance cost sharing agreement was entered into, if the policies are the same as or similar to the policies in effect before the insurance cost sharing agreement was entered into, or on such other reasonable basis as TDS may select from time to time. If TDS decides to change the allocation of premiums at any time, TDS will consult with us before the change is made, but the decision as to whether to make the change will be in the reasonable discretion of TDS. We believe that the amounts payable by us under the insurance cost sharing agreement are generally more favorable than the premiums we would pay if we were to obtain coverage under separate policies. Payments made by U.S. Cellular to TDS under the Insurance Cost Sharing Agreement totaled $8.4 million in 2009.

Employee Benefit Plans Agreement

Under an employee benefit plans agreement, our employees participate in certain TDS-sponsored employee benefit plans. We reimburse TDS for the costs associated with such participation. Payments made by U.S. Cellular to TDS under the Employee Benefit Plans Agreement totaled $0.9 million in 2009.

Certain Relationships and Related Transactions

The following persons are partners of Sidley Austin LLP, the principal law firm of U.S. Cellular, TDS and their subsidiaries: Walter C.D. Carlson, a trustee and beneficiary of the voting trust that controls TDS and U.S. Cellular, the non-executive Chairman of the Board and member of the board of directors of TDS and a director of U.S. Cellular; William S. DeCarlo, the General Counsel of TDS and an Assistant Secretary of TDS and certain subsidiaries of TDS; and Stephen P. Fitzell, the General Counsel and an Assistant Secretary of U.S. Cellular and certain subsidiaries of TDS. Walter C.D. Carlson does not provide legal services to U.S. Cellular, TDS or their subsidiaries. U.S. Cellular and its subsidiaries incurred legal costs from Sidley Austin LLP of $8.6 million in 2009, $6.9 million in 2008 and $6.6 million in 2007.

The Audit Committee of the board of directors is responsible for the review and evaluation of all related party transactions, as such term is defined by the rules of the NYSE.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2009 regarding U.S. Cellular Common Shares that may be issued under equity compensation plans currently maintained by U.S. Cellular.

Plan Category	(a) Number of securities to be issued upon the exercise of outstanding options and rights	(b) Weighted-average exercise price of outstanding options and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	2,664,522	$ 51.37	3,732,306
Equity compensation plans not approved by security holders			
TOTAL	2,664,522	$ 51.37	3,732,306

Explanation of Columns:

(a)
Represents the number of securities to be issued upon the exercise of outstanding options or pursuant to unvested restricted stock units and vested and unvested phantom stock units.

(b)
Represents the weighted-average exercise price of all outstanding options. Restricted stock units and phantom stock units do not have an exercise price.

(c)
Represents the number of securities remaining available for future issuance under the plan, other than securities to be issued upon the exercise of the outstanding options or pursuant to restricted stock units and phantom stock units disclosed in column (a).

Footnotes:

(1)
This includes the following plans that have been approved by U.S. Cellular shareholders:

Plan	**Total**

	Number of securities to be issued upon the exercise of outstanding options and rights	**Number of securities remaining available for future issuance (excluding securities reflected in prior column)**	
2009 Employee Stock Purchase Plan		82,831	82,831
Non-Employee Director Compensation Plan		47,907	47,907
2005 Long-Term Incentive Plan	2,664,522	3,601,568	6,266,090
TOTAL	2,664,522	3,732,306	6,396,828

See Note 16 Stock-Based Compensation, in the notes to the consolidated financial statements included in our 2009 Annual Report to Shareholders for certain information about these plans, which is incorporated by reference herein.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

For purposes of the following tables, percentages are calculated pursuant to SEC Rule 13d-3(d)(1). Under such rule, shares underlying options that are currently exercisable or exercisable within 60 days after February 28, 2010, restricted stock units that become vested within 60 days after February 28, 2010 and vested phantom stock units are deemed to be outstanding for the purpose of calculating the number of shares owned and percentages of shares and voting power with respect to the person holding such options, restricted stock units or phantom stock units, but are not deemed to be outstanding for the purpose of calculating the percentages of shares or voting power of other persons.

U.S. Cellular

On February 28, 2010, there were outstanding 53,535,136 Common Shares, par value $1.00 per share (excluding 1,533,083 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, representing a total of 86,541,013 shares of common stock. As of February 28, 2010 no shares of our Preferred Stock, par value $1.00 per share, were outstanding. Holders of outstanding Common Shares are entitled to elect 25% of the directors (rounded up to the nearest whole number) and are entitled to one vote for each Common Share held in such holder's name with respect to all matters on which the holders of Common Shares are entitled to vote at the annual meeting. The holder of Series A Common Shares is entitled to elect 75% of the directors (rounded down to the nearest whole number) and is entitled to ten votes for each Series A Common Share held in such holder's name with respect to all matters on which the holder of Series A Common Shares is entitled to vote. Accordingly, the voting power of the Series A Common Shares with respect to matters other than the election of directors was 330,058,770 votes, and the total voting power of all outstanding shares of capital stock was 383,593,906 as of February 28, 2010.

Security Ownership of U.S. Cellular by Certain Beneficial Owners

The following table sets forth, as of February 28, 2010, or the latest practicable date, information regarding the person(s) who beneficially own more than 5% of any class of our voting securities.

Shareholder's Name and Address	U.S. Cellular Title of Class or Series	Shares of Class or Series Owned(1)	Percent of Class or Series	Percent of Shares of Common Stock	Percent of Voting Power(2)
Telephone and Data Systems, Inc. 30 North LaSalle Street Chicago, Illinois 60602	Common Shares	37,782,826	70.6%	43.7%	9.9%
	Series A Common Shares(3)	33,005,877	100.0%	38.1%	86.0%
	Total	70,788,703	N/A	81.8%	95.9%
GAMCO Investors, Inc.(4) One Corporate Center Rye, New York 10580	Common Shares	3,670,579	6.9%	4.2%	*

* Less than 1%.

(1) The nature of beneficial ownership is sole voting and investment power unless otherwise specified.

(2) Represents voting power in matters other than the election of directors.

(3)

The Series A Common Shares are convertible on a share-for-share basis into Common Shares. The above numbers of shares and percentages do not assume conversion because TDS has advised U.S. Cellular that it has no intention of converting its Series A Common Shares.

(4)

Based on the most recent Schedule 13D (Amendment No. 4) filed with the SEC. Includes shares held by the following affiliates: Gabelli Funds, LLC 864,630 Common Shares; GAMCO Asset Management Inc. 2,792,949 Common Shares; Gabelli Foundation, Inc. 2,500 Common Shares; Mario J. Gabelli 2,000 Common Shares; and Gabelli Securities, Inc. 8,500 Common Shares. In such Schedule 13D, such group reports sole or shared investment authority over 3,670,579 Common Shares and has reported sole voting power with respect to 3,539,279 Common Shares.

Security Ownership of U.S. Cellular by Management

The following executive officers and directors and all officers and directors as a group beneficially owned the following number of our Common Shares as of February 28, 2010 or the latest practicable date:

Name of Individual or Number of Persons in Group	U.S. Cellular Title of Class or Series	Amount and Nature of Beneficial Ownership(1)	Percent of Class or Series	Percent of Shares of Common Stock	Percent of Voting Power(2)
LeRoy T. Carlson	Common Shares	1,243	*	*	*
LeRoy T. Carlson, Jr.	Common Shares				
John E. Rooney(3)(10)	Common Shares	239,563	*	*	*
Walter C.D. Carlson	Common Shares	7,405	*	*	*
Kenneth R. Meyers(4)(10)	Common Shares	86,961	*	*	*
James Barr III	Common Shares	1,501			
J. Samuel Crowley	Common Shares	2,809			
Ronald E. Daly	Common Shares	3,151	*	*	*
Paul-Henri Denuit	Common Shares				
Harry J. Harczak, Jr.	Common Shares	3,864	*	*	*
Gregory P. Josefowicz	Common Shares	1,501			
Steven T. Campbell(5)	Common Shares	50,345	*	*	*
Jay M. Ellison(6)	Common Shares	139,925	*	*	*
Michael S. Irizarry(7)	Common Shares	94,335	*	*	*
Jeffrey J. Childs(8)	Common Shares	79,425	*	*	*
Alan D. Ferber(9)	Common Shares	40,017	*	*	*
All directors and executive officers as a group (16 persons)(10)(11)	Common Shares	752,045	1.4%	*	*

* Less than 1%.

(1) The nature of beneficial ownership is sole voting and investment power unless otherwise specified. Except with respect to customary brokerage agreement terms pursuant to which shares in a brokerage account are pledged as collateral security for the repayment of debit balances, none of the above shares is pledged as security, unless otherwise specified.

(2) Represents voting power in matters other than the election of directors.

(3) Includes 136,000 Common Shares subject to stock options which are currently exercisable, and phantom stock with respect to 44,176 Common Shares.

(4) Includes 48,826 Common Shares subject to stock options which are currently exercisable or exercisable within 60 days, and phantom stock with respect to 1,226 shares. Also includes 1,000 Common Shares which are held by a trust for which Mr. Meyers is a trustee.

(5) Includes 47,222 Common Shares subject to stock options which are currently exercisable or exercisable

within 60 days and restricted stock units with respect to 3,123 Common Shares which are subject to vesting within 60 days.

(6) Includes 132,628 Common Shares subject to stock options which are currently exercisable or exercisable within 60 days.

(7) Includes 89,100 Common shares subject to stock options which are currently exercisable or exercisable within 60 days and restricted stock units with respect to 5,233 Common Shares which are subject to vesting within 60 days.

(8) Includes 74,283 Common Shares subject to stock options which are currently exercisable or exercisable within 60 days and restricted stock units with respect to 3,123 Common Shares which are subject to vesting within 60 days.

(9) Includes 36,053 Common Shares subject to stock options which are currently exercisable or exercisable within 60 days, restricted stock units with respect to 1,639 Common Shares which are subject to vesting within 60 days, and phantom stock with respect to 2,070 Common Shares. Also includes 255 Common Shares held by a trust for the benefit of Mr. Ferber's wife.

(10) Includes shares as to which voting and/or investment power is shared and/or shares held by spouse and/or children.

(11) Includes 577,230 Common Shares that may be purchased pursuant to stock options which are currently exercisable or exercisable within 60 days and/or restricted stock units which are subject to vesting within 60 days by all directors and officers as a group. Includes 47,472 Common Shares underlying vested phantom stock units for all directors and officers as a group.

TDS

Several of our officers and directors also indirectly hold ownership interests in U.S. Cellular by virtue of their ownership of the capital stock of TDS.

Description of TDS Securities

The authorized capital stock of TDS includes Common Shares, $.01 par value (the "TDS Common Shares"), Special Common Shares, $.01 par value (the "TDS Special Common Shares") Series A Common Shares, $.01 par value (the "TDS Series A Common Shares") and Preferred Shares, $.01 par value (the "TDS Preferred Shares"). As of February 28, 2010, 49,804,951 TDS Common Shares (excluding 7,276,891 TDS Common Shares held by TDS and a subsidiary of TDS), 49,401,148 TDS Special Common Shares (excluding 14,041,276 TDS Special Common Shares held by TDS and a subsidiary of TDS), 6,491,529 TDS Series A Common Shares (representing a total of 105,697,628 shares of common stock) and 8,306 TDS Preferred Shares were outstanding.

The TDS Series A Common Shares have ten votes per share, and TDS Common Shares and TDS Preferred Shares have one vote per share, with respect to matters other than the election of directors. The holders of TDS Series A Common Shares, TDS Common Shares and TDS Preferred Shares vote as a single group, except with respect to matters as to which the Delaware General Corporation Law grants class voting rights and with respect to the election of directors. The total voting power of all outstanding TDS Series A Common Shares was 64,915,290 votes at February 28, 2010 with respect to matters other than the election of directors. The total voting power of the TDS Common Shares was 49,804,951 votes at February 28, 2010 with respect to matters other than the election of directors. The total voting power of all outstanding shares of all classes of TDS capital stock was 114,728,547 votes at February 28, 2010 with respect to matters other than the election of directors, including 8,306 votes by holders of Preferred Shares.

Each of the outstanding TDS Special Common Shares is entitled to one vote per share in the election of certain directors of TDS. Other than with respect to the election of directors, the TDS Special Common Shares have no votes except as otherwise required by law.

With respect to the election of directors, the holders of TDS Common Shares and TDS Special Common Shares are entitled to elect 25% of the directors of TDS, rounded up to the nearest whole number, plus one director (or four directors based on a board of twelve directors), and the holders of TDS Series A Common Shares and TDS Preferred Shares, voting as a group, are entitled to elect the remaining members of the board of directors of TDS.

In the election of four of the directors of TDS, each of the outstanding TDS Special Common Shares and TDS Common Shares is entitled to one vote. As of February 28, 2010, the voting power of the TDS Special Common Shares was 49,401,148 votes and the voting power of the TDS Common Shares was 49,804,951 votes, or a total of 99,206,099 votes, with respect to the election of such four directors.

Beneficial Ownership of TDS by Directors and Executive Officers of U.S. Cellular

The following table sets forth the number of TDS Common Shares, TDS Special Common Shares and TDS Series A Common Shares beneficially owned by each director of U.S. Cellular, by each executive officer named in the Summary Compensation Table and by all directors and executive officers of U.S. Cellular as a group as of February 28, 2010 or the latest practicable date.

Name of Individual or Number of Persons in Group	Title of Class or Series	Amount and Nature of Beneficial Ownership(1)	Percent of Class or Series	Percent of Shares of Common Stock	Percent of Voting Power(2)
LeRoy T. Carlson, Jr., Walter C.D. Carlson, Letitia G. Carlson, M.D., and Prudence E. Carlson(3)	TDS Special Common Shares	6,077,152	12.3%	5.7%	
	TDS Series A Common Shares	6,135,552	94.5%	5.8%	53.5%
LeRoy T. Carlson(4)(7)	TDS Common Shares	255,985	*	*	*
	TDS Special Common Shares	345,404	*	*	
	TDS Series A Common Shares	54,655	*	*	*
LeRoy T. Carlson, Jr.(5)(7)	TDS Common Shares	458,210	*	*	*
	TDS Special Common Shares	976,780	1.9%	*	
	TDS Series A Common Shares	18,297	*	*	*
Walter C.D. Carlson(6)	TDS Common Shares	6,002	*	*	*
	TDS Special Common Shares	12,530	*	*	
	TDS Series A Common Shares	905	*	*	*
John E. Rooney	TDS Common Shares	3,648	*	*	*
	TDS Special Common Shares	1,378	*	*	
Kenneth R. Meyers(7)(8)	TDS Common Shares	3,508	*	*	*
	TDS Special Common Shares	100,366	*	*	
James Barr III	TDS Common Shares	9,747	*	*	*
	TDS Special Common Shares	15,729	*	*	
J. Samuel Crowley					
Ronald E. Daly					
Paul-Henri Denuit					
Harry J. Harczak, Jr.					
Gregory P. Josefowicz	TDS Common Shares				
	TDS Special Common Shares	2,682	*	*	
Steven T. Campbell					
Jay M. Ellison	TDS Common Shares	145	*	*	*
	TDS Special Common Shares	145	*	*	
Michael S. Irizarry					

Name of Individual or Number of Persons in Group	Title of Class or Series	Amount and Nature of Beneficial Ownership(1)	Percent of Class or Series	Percent of Shares of Common Stock	Percent of Voting Power(2)
Jeffrey J. Childs					
Alan D. Ferber					
All directors and executive officers as a group (16 persons)(7)(8)	TDS Common Shares	737,245	1.5%	*	*
	TDS Special Common Shares	7,532,166	14.7%	7.0%	
	TDS Series A Common Shares	6,209,409	95.7%	5.8%	53.8%

* Less than 1%

(1) The nature of beneficial ownership is sole voting and investment power, unless otherwise specified. None of the above shares is pledged as security, unless otherwise specified.

(2) Represents voting power in matters other than the election of directors.

(3) The shares of TDS listed are held by the persons named as trustees under a voting trust which expires June 30, 2035 (the "TDS Voting Trust"), created to facilitate long-standing relationships among the trust certificate holders. The address of the trustees of the TDS Voting Trust in their capacities as such is c/o LeRoy T. Carlson, Jr., Telephone and Data Systems, Inc., 30 N. LaSalle St., Suite 4000, Chicago, IL 60602. Under the terms of the TDS Voting Trust, the trustees hold and vote the TDS Series A Common Shares and the TDS Special Common Shares held in the trust. If the TDS Voting Trust were terminated, the following individuals, directly or indirectly with their spouses, would each be deemed to own beneficially over 5% of the outstanding TDS Series A Common Shares: LeRoy T. Carlson, Jr., Walter C.D. Carlson, Prudence E. Carlson and Letitia G. Carlson, M.D. The above numbers of shares and percentages do not assume conversion because the trustees have advised TDS and U.S. Cellular that the TDS Voting Trust has no intention of converting its TDS Series A Common Shares.

(4) Includes 9,320 TDS Special Common Shares and 54,655 TDS Series A Common Shares held by Mr. Carlson's wife. Does not include 29,320 TDS Special Common Shares and 33,221 TDS Series A Common Shares held for the benefit of LeRoy T. Carlson or 189,254 TDS Special Common Shares and 190,236 TDS Series A Common Shares held for the benefit of Mr. Carlson's wife (an aggregate of 218,574 TDS Special Common Shares, or 0.4% of class, and 223,457 TDS Series A Common Shares, or 3.4% of class) in the voting trust described in footnote (3).

(5) Includes 1,158 TDS Common Shares, 6,444 TDS Special Common Shares and 5,283 TDS Series A Common Shares held by Mr. Carlson's wife outside the voting trust.

Special Common Shares in Voting Trust. Does not include 1,813,932 TDS Special Common Shares (3.7% of class) held in the voting trust described in footnote (3), of which 710,240 shares are held for the benefit of LeRoy T. Carlson, Jr. and 685,394 shares are held by a family partnership, of which Mr. Carlson is a general partner.

Series A Common Shares in Voting Trust. Does not include 1,817,996 TDS Series A Common Shares (28.0% of class) held in the voting trust described in footnote (3), of which 175,035 shares are held for the benefit of LeRoy T. Carlson, Jr. and 686,786 shares are held by a family partnership, of which Mr. Carlson is a general partner.

(6)

Special Common Shares in Voting Trust. Does not include 1,899,864 TDS Special Common Shares (3.8% of class) held in the voting trust described in footnote (3), of which 1,096,170 shares are held for the benefit of Walter C.D. Carlson and 685,394 shares are held by a family partnership, of which Mr. Carlson is a general partner.

Series A Common Shares in Voting Trust. Does not include 1,927,572 TDS Series A Common Shares (29.7% of class) held in the voting trust described in footnote (3), of which 1,122,774 shares are held for the benefit of Walter C.D. Carlson and 686,786 shares are held by a family partnership, of which Mr. Carlson is a general partner.

(7)

Includes the following number of TDS Common Shares and TDS Special Common Shares that may be purchased pursuant to stock options which are currently exercisable or exercisable within 60 days and/or restricted stock units which are subject to vesting within 60 days: LeRoy T. Carlson, 162,731 TDS Common Shares and 273,807 TDS Special Common Shares; LeRoy T. Carlson, Jr., 430,516 TDS Common Shares and 898,977 TDS Special Common Shares; Kenneth R. Meyers, 83,942 TDS Special Common Shares; and all directors and officers as a group, 593,247 TDS Common Shares and 1,256,726 TDS Special Common Shares. Includes the following number of TDS Common Shares and TDS Special Common Shares underlying vested phantom stock units: LeRoy T. Carlson, 31,170 TDS Common Shares and 57,671 TDS Special Common Shares; LeRoy T. Carlson, Jr., 12,632 TDS Common Shares and 27,511 TDS Special Common Shares; Kenneth R. Meyers, 6,630 TDS Special Common Shares and all directors and officers as a group, 43,802 TDS Common Shares and 91,812 TDS Special Common Shares.

(8)

Includes shares as to which voting and/or investment power is shared, and/or shares held by spouse and/or children.

Security Ownership of TDS by Certain Beneficial Owners

In addition to the persons listed under "Beneficial Ownership of TDS by Directors and Executive Officers of U.S. Cellular," the following table sets forth, as of February 28, 2010, or the latest practicable date, information regarding the persons who own beneficially more than 5% of any class of the voting securities of TDS. The nature of beneficial ownership in this table is sole voting and investment power, except as otherwise set forth in the footnotes.

Shareholder's Name and Address	Title of Class or Series	Shares of Class or Series Owned	Percent of Class	Percent of Shares of Common Stock	Percent of Voting Power(1)
Southeastern Asset Management, Inc.(2)(3) 6410 Poplar Ave., Suite 900 Memphis, TN 38119	TDS Common Shares	2,252,900	4.5%	2.1%	2.0%
	TDS Special Common Shares	11,828,669	23.9%	11.2%	
	Total	14,081,569	N/A	13.3%	2.0%
Capital Research Global Investors(4)(5)(7) 333 South Hope Street Los Angeles, CA 90071	TDS Common Shares	4,468,800	9.0%	4.2%	3.9%
	TDS Special Common Shares	5,003,500	10.1%	4.7%	
Capital World Investors(6)(7) 333 South Hope Street Los Angeles, CA 90071	TDS Special Common Shares	3,493,100	7.1%	3.3%	
Total for Capital Research and Management Company(7)		12,965,400	N/A	12.3%	3.9%
GAMCO Investors, Inc.(8)(9) One Corporate Center Rye, NY 10580	TDS Common Shares	4,878,156	9.8%	4.6%	4.3%
	TDS Special Common Shares	3,390,996	6.9%	3.2%	
	Total	8,269,152	N/A	7.8%	4.3%
BlackRock, Inc.(10) 40 East 52nd Street New York, NY 10022	TDS Common Shares	5,854,808	11.8%	5.5%	5.1%
JPMorgan Chase & Co.(11) 270 Park Avenue New York, NY 10017	TDS Special Common Shares	4,072,551	8.2%	3.9%	
T. Rowe Price Associates, Inc.(12) 100 E. Pratt Street Baltimore, MD 21202	TDS Common Shares	3,386,878	6.8%	3.2%	3.0%
Anchor Capital Advisors LLC(13) One Post Office Square	TDS Special Common Shares	2,914,370	5.9%	2.8%	

Boston, MA 02109				
Wallace R. Weitz & Company(14) 1125 South 103rd Street, Suite 600 Omaha, NE 68124-6008	TDS Special Common Shares	2,728,200	5.5%	2.6%

(1) Represents voting power in matters other than election of directors.

(2) Based on a Schedule 13D (Amendment No. 19) filed with the SEC, Southeastern Asset Management, Inc. reports that it has sole power to vote or direct the vote of 616,400 TDS Common Shares and shared power to vote 1,530,800 TDS Common Shares and no power to vote with respect to 105,700 TDS Common Shares. Southeastern Asset Management reports that it has sole power to dispose or to direct the disposition of 722,100

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TDS Common Shares and shared power to dispose or direct the disposition of 1,530,800 TDS Common Shares. The TDS Common Shares for which voting and dispositive power is shared are owned by Longleaf Partners Fund. Although the percentage of TDS Common Shares beneficially owned is less than 5%, this is reported because Southeastern Asset Management beneficially owns more than 5% of the TDS Special Common Shares. See note (3).

(3)

Based on a Schedule 13D (Amendment No. 20) filed with the SEC, Southeastern Asset Management reports that it has sole power to vote or direct the vote of 4,792,332 TDS Special Common Shares and shared power to vote 5,666,200 TDS Special Common Shares and no power to vote with respect to 1,370,137 TDS Special Common Shares. Southeastern Asset Management reports that it has sole power to dispose or to direct the disposition of 6,162,469 TDS Special Common Shares and shared power to dispose or direct the disposition of 5,666,200 TDS Special Common Shares. The TDS Special Common Shares for which voting and dispositive power is shared are owned by Longleaf Partners Fund.

(4)

Based on the most recent Schedule 13G (Amendment No. 2) filed with the SEC. In such Schedule 13G, Capital Research Global Investors reports that it has sole power to vote or direct the vote of, and sole power to dispose or to direct the disposition of, 4,468,800 TDS Common Shares.

(5)

Based on the most recent Schedule 13G (Amendment No. 2) filed with the SEC. In such Schedule 13G, Capital Research Global Investors reports that it has sole power to vote or direct the vote of, and sole power to dispose or to direct the disposition of, 5,003,500 TDS Special Common Shares.

(6)

Based on the most recent Schedule 13G (Amendment No. 2) filed with the SEC. In such Schedule 13G, Capital World Investors reports that it has sole power to vote or direct the vote of 1,190,000 TDS Special Common Shares and reports sole power to dispose or direct the disposition of, 3,493,100 TDS Special Common Shares.

(7)

Based on the most recent Schedule 13G filed with the SEC, Capital Research Global Investors and Capital World Investors are both divisions of Capital Research and Management Company, 333 South Hope Street, Los Angeles, CA 90071.

(8)

Based on a Schedule 13D (Amendment No. 21) filed with the SEC. Includes TDS Common Shares held by the following affiliates: GAMCO Asset Management, Inc. 3,118,956 TDS Common Shares; Gabelli Funds, LLC 1,689,200 TDS Common Shares; GGCP, Inc. 6,000 TDS Common Shares; MJG Associates, Inc. 7,000 TDS Common Shares; Mario J. Gabelli 45,500 TDS Common Shares; and Gabelli Securities, Inc. 11,500 TDS Common Shares. In such Schedule 13D, such group reports sole voting power with respect to 4,767,656 TDS Common Shares and has reported sole power to dispose or direct the disposition of 4,878,156 TDS Common Shares.

(9)

Based on a Schedule 13D (Amendment No. 2) filed with the SEC. Includes TDS Special Common Shares held by the following affiliates: Gabelli Funds, LLC 1,235,300 TDS Special Common Shares; GAMCO Asset Management, Inc. 2,125,696 TDS Special Common Shares; GGCP, Inc. 4,000 TDS Special Common Shares; Mario J. Gabelli 2,500 TDS Special Common Shares; and Gabelli Securities, Inc. 13,500 TDS Special Common Shares. In such Schedule 13D, such group reports sole voting power with respect to 3,310,196 TDS Special Common Shares and has reported sole power to dispose or direct the disposition of 3,390,996 TDS Special Common Shares.

(10)

Based on the most recent Schedule 13G filed with the SEC, BlackRock, Inc. reports that it has sole power to vote or direct the vote of, and sole power to dispose or to direct the disposition of, 5,854,808 TDS Common Shares.

(11)

Based on the most recent Schedule 13G filed with the SEC, JPMorgan Chase & Co. reports that it has sole power to vote or direct the vote of 3,431,039 TDS Special Common Shares and shared power to vote or direct the vote of 380,961 TDS Special Common Shares. JPMorgan Chase & Co. reports that it has sole power to dispose or to direct the disposition of 3,690,417 TDS Special Common Shares and shared power to dispose or direct the disposition of 382,134 TDS Special Common Shares.

(12)

Based on the most recent Schedule 13G filed with the SEC. Includes TDS Common Shares held by the following affiliates: T. Rowe Price Associates, Inc. reports sole voting authority over 548,900 TDS Common Shares and sole power to dispose or direct the disposition of 3,386,878 TDS Common Shares and T. Rowe Price Mid-Cap Value Fund, Inc. reports sole voting authority over 2,819,788 TDS Common Shares.

(13) Based on the most recent Schedule 13G filed with the SEC, Anchor Capital Advisors LLC reports that it has sole power to vote or direct the vote of, and sole power to dispose or to direct the disposition of, 2,914,370 TDS Special Common Shares.

(14) Based on a Schedule 13D filed with the SEC, Wallace R. Weitz & Company reports that it has sole or shared power to vote or direct the vote of 2,728,200 TDS Special Common Shares and sole or shared power to dispose or to direct the disposition of 2,728,200 TDS Special Common Shares.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder require our directors and officers, and persons who are deemed to own more than ten percent of our Common Shares, to file certain reports with the SEC with respect to their beneficial ownership of our Common Shares. The reporting persons are also required to furnish us with copies of all such reports they file.

Based on a review of copies of such reports furnished to us by such reporting persons and written representations by our directors and officers, we believe that all filing requirements under Section 16 of the Securities Exchange Act applicable to such reporting persons during and with respect to 2009 were complied with on a timely basis.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See "Executive and Director Compensation Compensation Committee Interlocks and Insider Participation."

SHAREHOLDER PROPOSALS FOR 2011 ANNUAL MEETING

The 2011 annual meeting of shareholders is currently scheduled for May 17, 2011, and the proxy statement for such meeting is expected be dated on or about April 15, 2011.

Pursuant to SEC Rule 14a-8, proposals of shareholders intended to be included in U.S. Cellular's proxy statement and form of proxy relating to the 2011 annual meeting of shareholders must be received by U.S. Cellular at its principal executive offices not later than December 17, 2010.

In addition, pursuant to U.S. Cellular's bylaws, proposals by shareholders intended to be presented at the 2011 annual meeting of shareholders (other than proposals included in U.S. Cellular's proxy statement and form of proxy relating to the 2011 annual meeting pursuant to SEC Rule 14a-8), must be received by U.S. Cellular at its principal executive offices not earlier than December 17, 2010 and not later than January 16, 2011 for consideration at the 2011 annual meeting of shareholders. However, if the 2011 annual meeting is changed by more than 30 calendar days before or after May 19, 2011 (the anniversary date of the 2010 annual meeting), a stockholder proposal must be received by U.S. Cellular not later than the close of business on the tenth day following the date of public notice of the revised date of the 2011 annual meeting.

As permitted by SEC rules, the proxy solicited by the board of directors for the 2011 annual meeting will confer discretionary authority to vote on any matter that may properly come before such meeting or any adjournment thereof, other than with respect to proposals that are duly submitted pursuant to the foregoing requirements and/or that are included in the proxy statement.

SOLICITATION OF PROXIES

Your proxy is being solicited by our board of directors and its agents and the cost of solicitation will be paid by U.S. Cellular. Officers, directors and regular employees of U.S. Cellular, acting on its behalf, may also solicit proxies by mail, e-mail, advertisement, telephone, telecopy, in person and other methods. None of such persons will receive additional compensation for such solicitations. U.S. Cellular will, at its expense, request brokers and other custodians, nominees and fiduciaries to forward proxy soliciting material to the beneficial owners of shares of record.

FINANCIAL AND OTHER INFORMATION

We will furnish you or any shareholder as of the record date without charge a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, including the financial statements and the schedules thereto, upon written or oral request, and will provide copies of the exhibits to any such documents upon payment of a reasonable fee that will not exceed our reasonable expenses incurred in connection therewith. Requests for such materials should be directed to United States Cellular Corporation, 8410 West Bryn Mawr Avenue, Suite 700, Chicago, Illinois 60631, Attention: External Reporting Department, Telephone: (773) 399-8900.

In addition, to the extent that, as permitted by SEC rules, U.S. Cellular delivers only one copy of an annual report to shareholders, proxy statement or notice of internet availability of proxy materials to an address that is shared by separate persons who are shareholders (addressed to such shareholders as a group), U.S. Cellular shall deliver promptly additional copies of any of such documents to any shareholder located at such shared address upon written or oral request by such shareholder.

OTHER BUSINESS

It is not anticipated that any action will be asked of the shareholders other than those set forth above, but if other matters are properly brought before the annual meeting, the persons named in the proxy will vote in accordance with their best judgment.

By order of the Board of Directors

KEVIN C. GALLAGHER
Vice President and Corporate Secretary

All shareholders are urged to sign, date and mail their proxy card promptly or vote on the Internet in accordance with the instructions set forth on the proxy card

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