

UNITED STATES CELLULAR CORPORATION

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April 15, 2008

Dear Fellow Shareholders:

You are cordially invited to attend our 2008 annual meeting on Tuesday, May 20, 2008, at 8:30 a.m., Chicago time, at The Westin O'Hare, 6100 North River Road, Rosemont, Illinois. At the meeting, we will report on the plans and accomplishments of United States Cellular Corporation.

The formal notice of the meeting and our board of directors' proxy statement are enclosed. Appendix I to the proxy statement contains audited financial statements and certain other financial information for the year ended December 31, 2007, as required by the rules and regulations of the Securities and Exchange Commission ("SEC"). At the 2008 annual meeting, shareholders are being asked to take the following actions:

1. elect three Class III directors;
2. consider and approve an amended Non-Employee Director Compensation Plan, as more fully described in the accompanying proxy statement;
3. consider and approve the 2009 Employee Stock Purchase Plan, as more fully described in the accompanying proxy statement; and
4. ratify the selection of independent registered public accountants for the current fiscal year.

The board of directors recommends a vote "**FOR**" its nominees for election as directors, "**FOR**" the proposal to approve an amended Non-Employee Director Compensation Plan, "**FOR**" the proposal to approve the 2009 Employee Stock Purchase Plan and "**FOR**" the proposal to ratify accountants.

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

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

A handwritten signature in black ink that reads "LeRoy T. Carlson, Jr." with a stylized flourish at the end.

LeRoy T. Carlson, Jr.
Chairman

Very truly yours,

A handwritten signature in black ink that reads "John E. Rooney" with a stylized flourish at the end.

John E. Rooney
President and Chief Executive Officer

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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT
AND
IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 20, 2008**

TO THE SHAREHOLDERS OF

UNITED STATES CELLULAR CORPORATION

We will hold the 2008 annual meeting of the shareholders of United States Cellular Corporation (“U.S. Cellular”) (American Stock Exchange symbol: “USM”), a Delaware corporation, at The Westin O’Hare, 6100 North River Road, Rosemont, Illinois, on Tuesday, May 20, 2008, at 8:30 a.m., Chicago time. At the meeting, we are asking shareholders to take the following actions:

1. To elect three Class III members of the board of directors. Your board of directors recommends that you vote **FOR** its nominees for Class III directors.
2. To consider and approve an amended Non-Employee Director Compensation Plan, as more fully described in the accompanying proxy statement. Your board of directors recommends that you vote **FOR** this proposal.
3. To consider and approve the 2009 Employee Stock Purchase Plan, as more fully described in the accompanying proxy statement. Your board of directors recommends that you vote **FOR** this proposal.
4. To consider and vote upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for the year ending December 31, 2008. Your board of directors recommends that you vote **FOR** this proposal.
5. To transact such other business as may properly come before the meeting or any adjournments thereof.

We are first sending this notice of annual meeting of shareholders and Proxy Statement to you on or about April 15, 2008.

We have fixed the close of business on March 26, 2008 as the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

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

The proxy statement and annual report to shareholders are available at www.uscellular.com under Investor Relations—Proxy Vote, or at www.uscellular.com/investor/2008proxy.

The following items have been posted to this Web site:

1. Proxy Statement for the 2008 Annual Meeting
2. Annual Report to Shareholders for 2007 (included as an appendix to the Proxy Statement for the 2008 Annual Meeting)
3. Form of Proxy Card

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

The location where the annual meeting will be held is The Westin O’Hare Hotel. This is located in Rosemont, Illinois north of Interstate 90 and south of Higgins Road at 6100 North River Road, which is located east of Interstate 294 and west of Dee Road.

VOTING INFORMATION

What is the record date for the meeting?

The close of business March 26, 2008 is the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

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

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

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

- Common Shares; and
- Series A Common Shares.

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

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

On March 26, 2008, U.S. Cellular had outstanding 54,463,395 Common Shares, par value \$1.00 per share (excluding 604,824 shares held by U.S. Cellular and a subsidiary of U.S. Cellular), and 33,005,877 Series A Common Shares, par value \$1.00 per share. As of March 26, 2008, no shares of Preferred Stock, par value \$1.00 per share, of U.S. Cellular were outstanding.

Telephone and Data Systems, Inc., a Delaware corporation (American Stock Exchange Listing Symbols TDS and TDS.S) ("TDS"), is the sole holder of Series A Common Shares and holds 37,782,826 Common Shares, representing approximately 69.4% of the Common Shares. By reason of such holdings, TDS has the voting power to elect all the directors of U.S. Cellular and has approximately 95.7% of the voting power with respect to matters other than the election of directors.

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

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

Class or Series of Common Stock	Outstanding Shares	Votes per Share	Voting Power	Number of Directors Elected by Class or Series	Number of Directors Standing for Election
Series A Common Shares	33,005,877	10	330,058,770	6	2
Common Shares	54,463,395	1	54,463,395	3	1
Total				<u>9</u>	<u>3</u>

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

Class or Series of Common Stock	Outstanding Shares	Votes per Share	Total Voting Power	Percent
Series A Common Shares	33,005,877	10	330,058,770	85.8%
Common Shares	54,463,395	1	54,463,395	14.2%
Total			<u>384,522,165</u>	<u>100.0%</u>

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

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

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

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

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

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

- vote FOR,
- vote AGAINST, or
- ABSTAIN from voting on this proposal.

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

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

How may shareholders vote with respect to the 2009 Employee Stock Purchase Plan in Proposal 3?

Shareholders may, with respect to the proposal to approve the 2009 Employee Stock Purchase Plan:

- vote FOR,
- vote AGAINST, or
- ABSTAIN from voting on this proposal.

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

TDS has advised U.S. Cellular that it intends to vote FOR the approval of the 2009 Employee Stock Purchase Plan.

How may shareholders vote with respect to Proposal 4?

With respect to the proposal to ratify the selection of PricewaterhouseCoopers as our independent registered public accounting firm for 2008, shareholders may:

- vote FOR,
- vote AGAINST, or
- ABSTAIN from voting on the proposal.

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

TDS has advised U.S. Cellular that it intends to vote FOR the ratification of the selection of PricewaterhouseCoopers LLP.

How do I vote?

Proxies are being requested from the holders of Common Shares in connection with the election of one Class III director, the approval of the amended Non-Employee Director Plan, the approval of the

2009 Employee Stock Purchase Plan and the ratification of independent registered public accountants. Whether or not you plan to attend the meeting, please sign and mail your proxy in the enclosed self-addressed envelope to Proxy Services, c/o Computershare Investor Services, P.O. Box 43126, Providence, Rhode Island 02940-5138. You have the power to revoke your proxy at any time before it is voted, and the giving of a proxy will not affect your right to vote in person if you attend the annual meeting.

How will proxies be voted?

All properly executed and unrevoked proxies received in the accompanying form in time for the 2008 annual meeting will be voted in the manner directed on the proxies.

If no direction is made, a proxy by any shareholder will be voted FOR the election of the named director nominee to serve as a Class III director, FOR the proposal to approve the amended Non-Employee Director Compensation Plan, FOR the proposal to approve the 2009 Employee Stock Purchase Plan and FOR the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2008.

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

What constitutes a quorum for the meeting?

In the election of directors, where a separate vote by a class or voting group is required, the holders of a majority of the votes of the stock of such class or voting group, present in person or represented by proxy, will constitute a quorum entitled to take action with respect to that vote on that matter.

The holders of a majority of the votes of the stock issued and outstanding and entitled to vote with respect to each of the other proposals, present in person or represented by proxy, will constitute a quorum at the annual meeting in connection with each of such other proposals.

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

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

What vote is required with respect to Proposals 2, 3 and 4?

If a quorum is present at the annual meeting, the proposals to approve the amended Non-Employee Director Plan and the 2009 Employee Stock Purchase Plan, and to ratify independent registered public accountants will require the affirmative vote of a majority of the voting power of the Common Shares and Series A Common Shares voting together and present in person or represented by proxy and entitled to vote on such matter at the annual meeting. A vote to abstain from voting on such proposals will be treated as a vote against such proposals. Non-votes with respect to such proposals will not affect the determination of whether such proposals are approved.

**PROPOSAL 1
ELECTION OF DIRECTORS**

The nominees for election as Class III directors are identified in the table below. In the event any nominee, who has expressed an intention to serve if elected, fails to stand for election, the persons named in the proxy presently intend to vote for a substitute nominee if one is designated by the board of directors.

Nominees

The following persons, if elected at the 2008 annual meeting of shareholders, will serve as Class III directors until the 2011 annual meeting of shareholders, or until their successors are elected and qualified:

Class III Directors—Terms Scheduled to Expire in 2008

The following persons are current Class III directors whose terms will expire at the 2008 annual meeting of shareholders:

Elected by Holders of Common Shares

<u>Name</u>	<u>Age</u>	<u>Position with U.S. Cellular and Principal Occupation</u>	<u>Served as Director since</u>
J. Samuel Crowley	57	Director of U.S. Cellular and former Chief Operating Officer of Gold’s Gym International	1998

Elected by Holder of Series A Common Shares

<u>Name</u>	<u>Age</u>	<u>Position with U.S. Cellular and Principal Occupation</u>	<u>Served as Director since</u>
LeRoy T. Carlson, Jr.	61	Chairman and Director of U.S. Cellular and President and Chief Executive Officer of TDS	1984
Walter C.D. Carlson	54	Director of U.S. Cellular, non-executive Chairman of the Board of TDS and Partner, Sidley Austin LLP, Chicago, Illinois	1989

Background of Class III Directors

J. Samuel Crowley. J. Samuel Crowley was the chief operating officer of Gold’s Gym International, the nation’s largest chain of co-ed fitness facilities, from November 2005 through August 2007. Between January 2004 and October 2005, Mr. Crowley was a private investor and prior to that, he was Senior Vice President—New Ventures at Michaels Stores, Inc., a publicly-held national specialty retail company, from August 2002 until December 2003. Prior to that, Mr. Crowley was a business strategy consultant with Insider Marketing, a high tech marketing consulting firm, from April 2000 until July 2002. He was previously employed by CompUSA, Inc., a national retailer and reseller of personal computers and related products and services, for more than five years, most recently as executive vice president of operations between 1995 and 2000. Mr. Crowley is a current Class III director who was previously elected by holders of Common Shares.

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

Carlson. LeRoy T. Carlson, Jr. is a current Class III director who was previously elected by TDS as the sole holder of Series A Common Shares.

Walter C.D. Carlson. Walter C.D. Carlson has been a partner of the law firm of Sidley Austin LLP for more than five years and is a member of its executive committee. The law firm of Sidley Austin LLP provides legal services to U.S. Cellular and TDS on a regular basis. See “Certain Relationships and Related Transactions” below. Mr. Carlson does not provide legal services to U.S. Cellular, TDS or their subsidiaries. Mr. Carlson serves on the board of directors of TDS and was elected non-executive Chairman of the Board of TDS in February 2002. He is the son of LeRoy T. Carlson and the brother of LeRoy T. Carlson, Jr. Walter C.D. Carlson is a current Class III director who was previously elected by TDS as the sole holder of Series A Common Shares.

The board of directors recommends a vote “FOR” the above nominees.

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

Other Directors

Class I Directors—Terms Scheduled to Expire in 2009

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

Elected by Holders of Common Shares

<u>Name</u>	<u>Age</u>	<u>Position with U.S. Cellular and Principal Occupation</u>	<u>Served as Director since</u>
Harry J. Harczak, Jr.	51	Director of U.S. Cellular and former Executive Vice President of CDW Corporation	2003

Elected by Holder of Series A Common Shares

<u>Name</u>	<u>Age</u>	<u>Position with U.S. Cellular and Principal Occupation</u>	<u>Served as Director since</u>
LeRoy T. Carlson	91	Director of U.S. Cellular and Chairman Emeritus of TDS	1987
John E. Rooney	65	President and Chief Executive Officer of U.S. Cellular	2000

Background of Class I Directors

Harry J. Harczak, Jr. Mr. Harczak was an officer of CDW between 1994 and 2007, where he was successively the chief financial officer, executive vice president of sales and executive vice president. Prior to CDW, Mr. Harczak was a partner at PricewaterhouseCoopers LLP. CDW is a provider of technology products and services and was a public company until it was acquired and became privately held in 2007. In 2007, U.S. Cellular purchased \$276,986 and TDS purchased an additional \$4,636 in products and services from CDW. This interest was not considered to be a direct or indirect material interest to Mr. Harczak under SEC rules, but is disclosed voluntarily, as discussed below.

LeRoy T. Carlson. LeRoy T. Carlson was appointed Chairman Emeritus (an executive officer) of TDS in February 2002. Prior to that time, he was the Chairman of TDS for more than five years. Mr. Carlson’s term as a member of the TDS board of directors will expire at the TDS 2008 annual meeting on May 22, 2008, and Mr. Carlson is not standing for re-election as a TDS director. He will become a director emeritus of TDS following the TDS 2008 annual meeting. Mr. Carlson is the father of LeRoy T. Carlson, Jr. and Walter C.D. Carlson.

John E. Rooney. John E. Rooney has been the President and Chief Executive Officer of U.S. Cellular (an executive officer of U.S. Cellular and a deemed executive officer of TDS) for more than five years. Mr. Rooney is currently a director of First Midwest Bancorp, Inc., a diversified financial services company.

Class II Directors—Terms Scheduled to Expire in 2010

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

Elected by Holders of Common Shares

<u>Name</u>	<u>Age</u>	<u>Position with U.S. Cellular and Principal Occupation</u>	<u>Served as Director since</u>
Paul-Henri Denuit	73	Director of U.S. Cellular and former Chairman of the Board of Directors and Managing Director—S.A. Coditel	1988

Elected by Holder of Series A Common Shares

<u>Name</u>	<u>Age</u>	<u>Position with U.S. Cellular and Principal Occupation</u>	<u>Served as Director since</u>
Ronald E. Daly	61	Director of U.S. Cellular and Private Investor	2004
Kenneth R. Meyers	54	Director and Chief Accounting Officer of U.S. Cellular and Executive Vice President and Chief Financial Officer of TDS	1999

Background of Class II Directors

Paul-Henri Denuit. Prior to retiring from S.A. Coditel at the end of May 2001, Paul-Henri Denuit served as managing director of S.A. Coditel for more than five years. He was also the chairman of its board of directors.

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

Kenneth R. Meyers. Kenneth R. Meyers was appointed Executive Vice President and Chief Financial Officer (an executive officer) of TDS and Chief Accounting Officer (an executive officer) of U.S. Cellular and of TDS Telecom, effective January 1, 2007. Prior to that, he was the Executive Vice President—Finance, Chief Financial Officer and Treasurer (an executive officer) of U.S. Cellular for more than five years. Mr. Meyers was also appointed as a director of TDS and TDS Telecom effective January 1, 2007.

CORPORATE GOVERNANCE

Board of Directors

The business and affairs of U.S. Cellular are managed by or under the direction of the board of directors. The board of directors consists of nine members. Holders of Common Shares elect 25% of the directors rounded up to the nearest whole number, or three directors based on a board size of nine directors. TDS, as the sole holder of Series A Common Shares, elects the remaining six directors. As of the record date, TDS has 100% of the voting power in the election of such six directors, approximately 69.4% of the voting power in the election of the remaining three directors and approximately 95.7% of the voting power in all other matters.

U.S. Cellular's Code of Ethics for directors is available on U.S. Cellular's web site, www.uscellular.com, under About Us—Investor Relations—Corporate Governance—BOD Code of Ethics.

Director Independence and American Stock Exchange Listing Standards

Because the U.S. Cellular Common Shares are listed on the American Stock Exchange, U.S. Cellular is required to comply with listing standards applicable to companies that have equity securities listed on the American Stock Exchange.

Under the listing standards of the American Stock Exchange, U.S. Cellular is a "controlled company" as such term is defined by the American Stock Exchange. U.S. Cellular is a controlled company because over 50% of the voting power of U.S. Cellular is held by TDS. Accordingly, it is exempt from certain listing standards that require listed companies that are not controlled companies to (i) have a board composed of a majority of directors that qualify as independent under the rules of the American Stock Exchange, (ii) have certain compensation approved by a compensation committee comprised solely of directors, or by a majority of directors, that qualify as independent under the rules of the American Stock Exchange, and (iii) have director nominations be made by a committee comprised solely of directors, or by a majority of directors, that qualify as independent under the rules of the American Stock Exchange.

As a controlled company, U.S. Cellular is required to have at least three directors who qualify as independent to serve on the Audit Committee. The U.S. Cellular board of directors has determined that all three members of the U.S. Cellular Audit Committee, J. Samuel Crowley, Paul-Henri Denuit and Harry J. Harczak, Jr., do not have any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and qualify as independent under the listing standards of the American Stock Exchange, as well as Section 10A-3 under the Securities Exchange Act of 1934, as amended. In addition, although not required to do so, the U.S. Cellular board of directors also has determined that Ronald E. Daly does not have any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and qualifies as independent under the listing standards of the American Stock Exchange, as well as the rules of the SEC. As a result, four of the nine directors, or 44% of the directors, have been determined to qualify as independent under the listing standards of the American Stock Exchange.

U.S. Cellular certifies compliance with specified listing standards to the American Stock Exchange on an annual basis. U.S. Cellular certified that it was in compliance with such American Stock Exchange listing standards in 2007 and expects to make a similar certification in 2008.

On January 17, 2008, the American Stock Exchange announced that it had entered into an agreement to be acquired by the New York Stock Exchange, subject to regulatory approvals. At this time, it is not known to what extent, if any, such an acquisition would affect U.S. Cellular's listing or listing requirements.

Meetings of Board of Directors

Our board of directors held six meetings during 2007. Each incumbent director attended at least 75 percent of the total number of meetings of the board of directors (held during 2007 at which time such person was a director) and at least 75 percent of the total number of meetings held by each

committee of the board on which such person served (during the periods of 2007 that such person served).

Audit Committee

The primary function of the Audit Committee is to assist the board of directors in fulfilling its oversight responsibilities with respect to the quality, integrity and annual independent audit of U.S. Cellular's financial statements and other matters set forth in the charter for the Audit Committee, a copy of which is available on U.S. Cellular's web site, www.uscellular.com, under About Us—Investor Relations—Corporate Governance—Audit Comm. Charter.

The Audit Committee is currently composed of three members who are not officers or employees of U.S. Cellular or any parent or subsidiary of U.S. Cellular and have been determined by the board of directors not to have any other relationship with U.S. Cellular that would interfere with their exercise of independent judgment in carrying out the responsibilities of a director. The board of directors has also determined that such directors qualify as independent under Rule 10A-3 of the Securities Exchange Act of 1934, as amended. Except as required by listing standards or SEC rule, U.S. Cellular does not have any categorical standards of independence that must be satisfied. The current members of the Audit Committee are J. Samuel Crowley (chairperson), Paul-Henri Denuit and Harry J. Harczak, Jr. The board of directors has determined that each of the members of the Audit Committee is "independent" and "financially sophisticated" as such terms are defined by the American Stock Exchange.

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

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

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

The Audit Committee held eleven meetings during 2007.

Pre-Approval Procedures

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

Review, approval or ratification of transactions with related persons

The Audit Committee Charter provides that the Audit Committee shall “be responsible for the review and oversight of all related-party transactions, as such term is defined by the rules of the American Stock Exchange.” Section 120 of the American Stock Exchange Company Guide, Certain Relationships And Transactions, provides that “Related party transactions must be subject to appropriate review and oversight by the company’s Audit Committee or a comparable body of the Board of Directors.”

In general, “related party transactions” include transactions required to be disclosed in U.S. Cellular’s proxy statement pursuant to Item 404 of Regulation S-K of the SEC. Pursuant to Item 404, U.S. Cellular is required to disclose any transaction, which includes any financial transaction, arrangement, or relationship (including any indebtedness or guarantee of indebtedness) or a series of transactions, that has taken place since the beginning of U.S. Cellular’s last fiscal year or any currently proposed transaction in which: 1. U.S. Cellular was or is to be a participant, 2. the amount involved exceeds \$120,000 and 3. any “related person” had or will have a direct or indirect material interest in the transaction during any part of the fiscal year. For this purpose, in general, the term “related person” includes any director or executive officer of U.S. Cellular, any nominee for director, any beneficial owner of more than five percent of any class of U.S. Cellular’s voting securities and any “immediate family member” of such persons, within the meaning of Item 404.

Accordingly, pursuant to such provisions, the U.S. Cellular Audit Committee has review and oversight responsibilities over transactions that are deemed to be related-party transactions under Section 120 of the American Stock Exchange Company Guide. Other than the foregoing provisions, U.S. Cellular has no further written document evidencing policies and procedures relating to (i) the types of transactions that are covered by such policies and procedures; (ii) the standards to be applied pursuant to such policies and procedures; or (iii) the persons or groups of persons on the board of directors or otherwise who are responsible for applying such policies and procedures.

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

Compensation Committee

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

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

Stock Option Compensation Committee

Although it is not required to do so under American Stock Exchange listing standards, U.S. Cellular has a Stock Option Compensation Committee comprised solely of directors that qualify as independent under the rules of the American Stock Exchange. In addition, the Stock Option Compensation Committee is comprised of at least two non-employee members of the U.S. Cellular board of directors, each of whom is an “outside director” within the meaning of section 162(m) of the Internal Revenue Code of 1986, as amended, and a “Non-Employee Director” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

The Stock Option Compensation Committee of our board of directors currently consists of J. Samuel Crowley, Ronald E. Daly and Paul-Henri Denuit. The principal functions of the Stock Option Compensation Committee are to consider and approve long-term compensation for executive officers and to consider and recommend to our board of directors new long-term compensation plans or changes in existing plans. The Compensation Committee held six meetings during 2007.

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

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

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

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

Compensation Consultant

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

In 2007, the role of such compensation consultant in determining or recommending the amount or form of executive officer compensation was to provide recommendations on the type and amount of compensation to be granted to officers and non-officers.

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

Director Compensation

Neither LeRoy T. Carlson, Jr. nor the Stock Option Compensation Committee approves director compensation. It is the view of the U.S. Cellular board of directors that this should be the responsibility of the full board of directors. In particular, only non-employee directors receive compensation in their

capacity as directors and, as a result, the view of the U.S. Cellular board of directors is that all directors should participate in such decisions, rather than only the Chairman or only some or all of the non-employee directors. U.S. Cellular does not have any stock ownership guidelines for directors.

Other Committees

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

Director Nomination Process

U.S. Cellular does not have a nominating committee and, accordingly, does not have a nominating committee charter. Under listing standards of the American Stock Exchange, U.S. Cellular is exempt from the requirement to have a nominating committee because it is a controlled company as such term is defined by the American Stock Exchange. Instead, the entire board of directors participates in the consideration of director nominees. Similarly, since U.S. Cellular is a controlled company, U.S. Cellular also is exempt from the listing standard that requires director nominations to be made by a nominating committee comprised solely of independent directors or by a majority of independent directors.

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

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

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

Each of the nominees approved by the U.S. Cellular board for election at the 2007 annual meeting is an executive officer and/or director who is standing for re-election.

From time to time, U.S. Cellular may pay a fee to an executive search firm to identify potential candidates for election as directors. U.S. Cellular did not pay a fee in 2007 to any third party or parties to

identify or evaluate or assist in identifying or evaluating potential new nominees for election of directors at the 2008 annual meeting.

Shareholder Communication with Directors

Shareholders may send communications to the board of directors of U.S. Cellular or to specified individual directors at any time. Shareholders should direct their communication to the board or to specified individual directors, in care of the Secretary of U.S. Cellular at its corporate headquarters. Any shareholder communications that are addressed to the board of directors or specified individual directors will be delivered by the Secretary of U.S. Cellular to the board of directors or such specified individual directors.

Information on communicating with directors is available on U.S. Cellular's web site, www.uscellular.com, under About Us—Investor Relations—Corporate Governance—Contact the Board.

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

All directors are invited and encouraged to attend the annual meeting of shareholders, which is normally followed by the annual meeting of the board of directors. In general, all directors attend the annual meeting of shareholders unless they are unable to do so because of unavoidable commitments or intervening events. Nine of the directors attended the 2007 annual meeting of shareholders.

Codes of Ethics for Directors

U.S. Cellular has adopted a Code of Ethics for its directors. This code has been posted to U.S. Cellular's web site, www.uscellular.com, under About Us—Investor Relations—Corporate Governance.

PROPOSAL 2
AMENDMENT OF COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

The U.S. Cellular board of directors approved amendments to the U.S. Cellular Compensation Plan for Non-Employee Directors and authorized the issuance of up to 50,000 additional Common Shares under the plan. The amended plan is subject to shareholder approval under the rules of the American Stock Exchange because the amendments are material and the plan involves the issuance of U.S. Cellular equity securities to directors of U.S. Cellular. A copy of the amended plan was filed as Exhibit 10.1 to U.S. Cellular's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.

The U.S. Cellular board of directors determined that it would be desirable to make certain amendments to the Compensation Plan for Non-Employee Directors to increase the number of Common Shares reserved for issuance from 10,000 to 60,000 and to increase director compensation, based on a review of director compensation practices in the telecommunications industry and at other comparable companies. Accordingly, the U.S. Cellular Compensation Plan for Non-Employee Directors, as amended (the "Directors Plan"), is being submitted for approval by the shareholders at the 2008 Annual Meeting. If approved by shareholders, the Directors Plan will be effective upon such approval. The following is a description of the Directors Plan, as amended.

Description Of The Plan

Non-employee directors will receive an annual director's retainer fee of \$45,000 paid in cash.

Non-employee directors will also receive an annual stock award of \$45,000 paid in the form of U.S. Cellular Common Shares, which will be distributed in March on or prior to March 15 of each year, beginning March 2008, for services performed during the 12 month period that commenced on March 1 of the immediately preceding calendar year and ended on the last day of February of the calendar year of payment. The number of shares will be determined on the basis of the closing price of U.S. Cellular Common Shares for the last trading day in the month of February of each year. Notwithstanding the foregoing, the annual stock award of \$45,000 to be distributed in March 2008, shall be distributed in the form of cash. In addition, a director who is not a citizen of the United States may, at his or her discretion, receive such award in the form of cash in all subsequent years.

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

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

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

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

A total of 10,000 U.S. Cellular Common Shares were previously approved by shareholders for issuance under the Directors Plan, of which approximately 7,000 Common Shares have been issued. The board of directors authorized the issuance of an additional 50,000 Common Shares, which increases the maximum number of shares that may be issued under this plan to 60,000.

Federal Income Taxes

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

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

The foregoing tax effects may be different if Common Shares are subject to restrictions imposed by Section 16(b) of the Exchange Act, unless the non-employee director makes an appropriate election under Section 83(b) of the Internal Revenue Code of 1986, as amended.

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

Plan Benefits

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

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

PROPOSAL 3
2009 EMPLOYEE STOCK PURCHASE PLAN

The U.S. Cellular board of directors has determined that it is in the best interests of U.S. Cellular and its shareholders to approve the U.S. Cellular 2009 Employee Stock Purchase Plan (the "Purchase Plan"). The U.S. Cellular board of directors approved the Purchase Plan on March 14, 2008 and the Purchase Plan is subject to shareholder approval. A copy of the Purchase Plan is attached hereto as Exhibit B.

DESCRIPTION OF PLAN

Purposes of Plan

The purpose of the Purchase Plan is to:

- encourage and facilitate the purchase of Common Shares by eligible employees of U.S. Cellular and its subsidiaries,
- provide an additional incentive to promote the best interests of U.S. Cellular and its subsidiaries, and
- provide an additional opportunity to participate in U.S. Cellular's and its subsidiaries' economic progress.

If approved by the shareholders, the effective date of the Purchase Plan will be January 1, 2009. A total of 125,000 Common Shares will be available for purchase under the Purchase Plan, subject to adjustment in the event of certain changes to U.S. Cellular's capital structure, as described in the Purchase Plan.

Administration

The Purchase Plan will be administered by a three-person committee (the "Committee"). Subject to the express provisions of the Purchase Plan, the Committee will have complete authority to interpret the Purchase Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations necessary or advisable for the administration of the Purchase Plan.

The board of directors may at any time, and from time to time, amend the Purchase Plan in any respect, except that, without shareholder approval, no amendment may be made changing the number of shares to be reserved under the Purchase Plan (unless certain changes occur in U.S. Cellular's capital structure as described in the Purchase Plan), or that would otherwise require shareholder approval under applicable law.

Purchase Periods/Termination

The Purchase Plan will terminate on December 31, 2013, or, if earlier, upon the purchase by participants of all shares that may be issued under the Purchase Plan or any earlier time in the discretion of the board of directors. The Purchase Plan provides for consecutive calendar quarter "Purchase Periods." The last day of each Purchase Period is a "Purchase Date." In addition, the date on which the Purchase Plan terminates will be treated as a "Purchase Date."

Eligibility and Participation

In general, participation in the Purchase Plan is available to any Eligible Employee (as defined below) of U.S. Cellular or any of its participating subsidiaries that has adopted the Purchase Plan with the prior approval of U.S. Cellular. An "Eligible Employee" is any employee of U.S. Cellular, or a participating subsidiary, other than a leased employee (within the meaning of section 414(n) of the Internal Revenue Code). Each Eligible Employee can enroll in the Purchase Plan as of the first day of the calendar month (or any later calendar month) following the date on which the Eligible Employee completes the Purchase Plan's eligibility service requirement. The Purchase Plan's eligibility service requirement is satisfied if an employee completes at least three months of continuous service with U.S. Cellular or any subsidiary thereof (regardless of whether the subsidiary is a participating subsidiary). Under the Purchase Plan, an entry date occurs on January 1, 2009 and the first day of each subsequent calendar month. Upon enrollment, an Eligible Employee will become a "Participant" in the Purchase Plan. Approximately 8,000 employees are expected to be eligible to participate in the Purchase Plan as of January 1, 2009.

Payroll Deductions

Upon enrollment in the Purchase Plan, the Participant elects his or her rate of payroll deduction contributions in an amount equal to a whole percentage not less than 1 and not more than 15 percent of the Participant's compensation (as defined in the Purchase Plan) for each payroll period, effective as soon as administratively practicable after such election is made. A Participant can periodically elect to increase or decrease his or her rate of payroll deductions under the Purchase Plan, in the manner prescribed by the Committee. In addition, a Participant can elect to withdraw from the Purchase Plan for the remainder of any calendar year, as described below.

Employee Stock Purchase Account

All payroll deductions in the possession of U.S. Cellular shall be segregated from the general funds of U.S. Cellular. An "Employee Stock Purchase Account" will be established on behalf of each Participant which shall be credited with his or her payroll deduction contributions made under the Purchase Plan. Such Employee Stock Purchase Accounts shall be solely for accounting purposes, and there shall be no segregation of assets among the separate accounts. Subject to a Participant's right to withdraw as described below, the balance of each Participant's Employee Stock Purchase Account will be applied on each Purchase Date to purchase the number of Common Shares determined by dividing the balance of such account as of such date by the Purchase Price of a Common Share on such date. The "Purchase Price" under the Purchase Plan on a Purchase Date is 85 percent of the closing price of a Common Share on the American Stock Exchange or any successor thereto on such date, or if such date is not a trading day, 85 percent of the closing price of a Common Share on the next preceding trading day, rounded up to the nearest whole cent. The number of Common Shares to be purchased on a Purchase Date will be rounded to the nearest one ten-thousandth of a share (or such other fractional interest determined by the Committee).

Purchase Limits

A Participant's right to purchase Common Shares during any calendar year shall be limited to the extent necessary so that the Participant's right to purchase Common Shares under the Purchase Plan and shares of stock under all other employee stock purchase plans maintained by U.S. Cellular, TDS or any of their subsidiaries complies with Section 423(b)(8) of the Internal Revenue Code and the regulations promulgated thereunder. Pursuant to such Section, such right shall not accrue at a rate in excess of \$25,000 of the total of the fair market value of Common Shares and the fair market value of shares of stock of TDS and subsidiaries of U.S. Cellular and TDS (determined on the grant date) for any calendar year.

Stock Account

A Stock Account will be established on behalf of each Participant by a custodian selected by U.S. Cellular. As of each Purchase Date, each Participant's Stock Account will be credited with the number of whole and fractional Common Shares purchased on the Participant's behalf under the Purchase Plan on such date. Common Shares credited to a Participant's Stock Account will be held by the custodian as nominee. The custodian will establish procedures pursuant to which a Participant can elect that Common Shares credited to such account be registered in the name of the Participant (or jointly in the name of a Participant and one other person), and that certificates representing such Common Shares be issued to the Participant. The Stock Account is a personal brokerage account established with a broker for the convenience of issuing shares electronically upon purchase by the Participant and is not part of the Purchase Plan. Common Shares in the Stock Account are owned by the Participant and the Participant may withdraw or sell any shares in such Participant's account at any time.

Withdrawal

A Participant can elect to withdraw from the Purchase Plan at any time. A Participant's election to withdraw will be made in the time and manner prescribed by the Committee. Upon withdrawal from the Purchase Plan, the balance of the Participant's Employee Stock Purchase Account promptly will be refunded to the Participant. A Participant who withdraws from the Purchase Plan will not be eligible to elect to recommence participation in the Purchase Plan until January 1 of the next calendar year.

Termination of Eligibility

In the event of a Participant's termination of employment for any reason, including death, the Participant's participation in the Purchase Plan will cease and the balance of the Participant's Employee Stock Purchase Account will promptly be refunded to the Participant.

FEDERAL INCOME TAX CONSEQUENCES

The following is a brief summary of the federal income tax consequences relating to the acquisition of Common Shares under the Purchase Plan. The following should not be relied upon as being a complete description of such consequences and does not address the state, local or other tax consequences of the acquisition of Common Shares under the Purchase Plan.

Section 423

U.S. Cellular believes that the Purchase Plan qualifies under section 423 of the Internal Revenue Code as an employee stock purchase plan. Under section 423 the Participant does not recognize any taxable income at the time Common Shares are purchased under the Purchase Plan.

Dispositions

If a Participant disposes of Common Shares purchased under the Purchase Plan within two years of the applicable Purchase Date (as defined above), the Participant will recognize ordinary compensation income in the amount of the excess of the fair market value of the Common Shares on such Purchase Date over the Purchase Price of the shares. The Participant's cost basis in the Common Shares will be increased by the amount of such ordinary compensation income. If the amount realized upon such disposition exceeds the Participant's cost basis in the Common Shares (as so increased), the Participant will recognize capital gain in the amount of the difference between the amount realized and such adjusted cost basis. Under current tax law, gain on capital assets held for 12 months or less is treated as "short-term" capital gain which is not eligible for certain preferential tax treatment afforded "long-term" capital gain. In the event the amount realized is less than the cost basis in the Common Shares (as so increased), the Participant will recognize capital loss in the amount of the difference between the adjusted cost basis and the amount realized.

If a Participant disposes of Common Shares purchased under the Purchase Plan two years or more after the applicable Purchase Date, the tax treatment will be different. The Participant will recognize ordinary compensation income in the amount of the lesser of:

- the excess of the fair market value of the Common Shares on the Purchase Date over the Purchase Price of the shares; and
- the excess of the amount realized upon disposition of the Common Shares over the Purchase Price of the Common Shares.

The Participant's cost basis in the Common Shares will be increased by the amount of such ordinary compensation income. In addition, the Participant will recognize long-term capital gain equal to the difference (if any) between the amount realized upon such disposition and the adjusted cost basis in the Common Shares (as so increased). In the event the amount realized is less than the Purchase Price, the Participant will recognize long-term capital loss in the amount of the difference between the Purchase Price and the amount realized.

Section 401(a)

The Purchase Plan is not intended to be qualified under section 401(a) of the Internal Revenue Code.

Plan Benefits

U.S. Cellular has not provided a table of the 2009 Employee Stock Purchase Plan benefits since the benefits to executive officers are not determinable. The benefits will depend on the number of Common Shares which the executive officers will subscribe for, if any, under the plan and the future price of such shares.

This description of the Purchase Plan is a summary only and is qualified by the terms of the Purchase Plan itself.

The board of directors recommends a vote "FOR" approval of the U.S. Cellular 2009 Employee Stock Purchase Plan.

**PROPOSAL 4
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We are not required to obtain shareholder ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm by the Bylaws or otherwise. However, we have elected to seek such ratification by the affirmative vote of the holders of a majority of the votes cast by shares entitled to vote with respect to such matter at the annual meeting. Should the shareholders fail to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm, the board of directors will consider whether to retain such firm for the year ending December 31, 2008.

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

FEES PAID TO PRINCIPAL ACCOUNTANTS

The following sets forth the aggregate fees (including expenses) billed by U.S. Cellular’s principal accountants, PricewaterhouseCoopers LLP, for 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Audit Fees(1)	\$1,938,301	\$1,843,589
Audit Related Fees	—	—
Tax Fees	—	—
All Other Fees(2)	—	1,500
Total Fees(3)	<u>\$1,938,301</u>	<u>\$1,845,089</u>

- (1) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for professional services rendered for the audit of the annual financial statements for the years 2007 and 2006 included in U.S. Cellular’s Form 10-K for each of these years and the reviews of the financial statements included in U.S. Cellular’s Forms 10-Q for each of these years, including the attestation and report relating to internal control over financial reporting as well as accounting research, audit fees related to the restatement of U.S. Cellular’s financial statements for certain prior periods, review of financial information included in other SEC filings and the issuance of consents and comfort letters. Although PricewaterhouseCoopers LLP has billed U.S. Cellular for these fees and expenses, management of U.S. Cellular has not yet completed its review of all of the amounts billed.
- (2) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for services, other than services covered in (1) above, for the years 2007 and 2006.
- (3) Amounts do not include fees billed by PricewaterhouseCoopers LLP directly to TDS except for fees billed on lease reviews. Although TDS bills U.S. Cellular an overall management fee pursuant to the Intercompany Agreement discussed below, TDS does not specifically identify and allocate fees of PricewaterhouseCoopers LLP to U.S. Cellular.

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

See “Corporate Governance—Audit Committee Charter” for information relating to the Audit Committee’s pre-approval policies.

AUDIT COMMITTEE REPORT

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

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

In this context, the Audit Committee held meetings with management, the TDS internal audit staff and representatives of PricewaterhouseCoopers LLP, U.S. Cellular's independent registered public accounting firm for 2007. In these meetings, the Audit Committee reviewed and discussed the audited financial statements as of and for the year ended December 31, 2007. Management represented to the Audit Committee that U.S. Cellular's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and representatives of PricewaterhouseCoopers LLP.

The discussions with PricewaterhouseCoopers LLP also included the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, relating to information regarding the scope and results of the audit. The Audit Committee also received from PricewaterhouseCoopers LLP written disclosures and a letter regarding its independence as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, and the Public Company Accounting Oversight Board (PCAOB) pursuant to Rule 3600T, and this information was discussed with PricewaterhouseCoopers LLP.

Based on and in reliance upon these reviews and discussions, the Audit Committee recommended to the board of directors that the audited financial statements as of and for the year ended December 31, 2007 be included in U.S. Cellular's Annual Report on Form 10-K for the year ended December 31, 2007.

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

J. Samuel Crowley
Chairperson

Paul-Henri Denuit

Harry J. Harczak, Jr.

EXECUTIVE OFFICERS

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

Name	Age	Position with U.S. Cellular
Steven T. Campbell	56	Executive Vice President—Finance, Chief Financial Officer and Treasurer
Jay M. Ellison	55	Executive Vice President and Chief Operating Officer
Michael S. Irizarry	46	Executive Vice President and Chief Technical Officer
Jeffrey J. Childs	51	Senior Vice President—Human Resources and Chief Human Resource Officer

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

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

Michael S. Irizarry. Michael S. Irizarry was appointed Executive Vice President and Chief Technical Officer on May 2, 2006. He joined U.S. Cellular as Executive Vice President—Engineering and Chief Technical Officer on February 18, 2002. Prior to that time, he was vice president—network, for the midwest area at Verizon Wireless from 2000 to 2001.

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

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

Codes of Conduct and Ethics

As required by Section 807 of the American Stock Exchange Company Guide, U.S. Cellular has adopted a Code of Business Conduct, applicable to all officers and employees of U.S. Cellular and its subsidiaries, which includes a Code of Ethics for certain Senior Executives and Financial Officers, that complies with the definition of a “code of ethics” as set forth in Item 406 of Regulation S-K of the SEC. U.S. Cellular has also adopted a Code of Ethics for its directors. Each of the foregoing codes has been posted to U.S. Cellular’s web site, www.uscellular.com, under About Us—Investor Relations—Corporate Governance.

U.S. Cellular intends to satisfy the disclosure requirement under Item 10 of Form 8-K regarding any amendment to its Code of Ethics for certain Senior Executives and Financial Officers, and will disclose all other amendments to any of the foregoing codes, by posting such information to such internet website. Any waivers of any of the foregoing codes for directors or executive officers, including any waiver of the Code of Ethics for certain Senior Executives and Financial Officers, will be approved by U.S. Cellular’s board of directors, as applicable, and disclosed in a Form 8-K that is filed with the SEC within four business days of such waiver.

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion And Analysis

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

Overview

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

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

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

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

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

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

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

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

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

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

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

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

- support U.S. Cellular's overall business strategy and objectives;
- attract and retain high quality management;
- link individual compensation with attainment of individual performance goals and with attainment of business unit and U.S. Cellular objectives; and
- provide competitive compensation opportunities consistent with the financial performance of U.S. Cellular.

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

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

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

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

Elements of Compensation

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

Each element of compensation paid to officers is as follows:

- Annual Cash Compensation
 - Salary
 - Bonus
- Long-term equity compensation pursuant to Long-Term Incentive Plan
 - Stock Awards
 - Bonus Stock Unit Match Awards
 - Restricted Stock Unit Awards
 - Stock Options
- Other Benefits and Plans Available to Identified Officers
 - Deferred Compensation
 - SERP
 - Perquisites
- Other Generally Applicable Benefits and Plans
 - Employee Stock Purchase Plan
 - Tax Deferred Savings Plan
 - Pension Plan
 - Health and Welfare Plans

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

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

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

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

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

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

Annually, the President recommends the base salary for the named executive officers other than the President, and the Chairman approves such base salaries and determines the base salary of the President. The 2007 rows under column (c), “Salary,” in the below Summary Compensation Table includes the dollar value of base salary (cash and non-cash) earned by the identified officers during 2007, whether or not paid in such year.

In addition, the President recommends the annual bonus for the named executive officers other than the President, and the Chairman approves such bonuses and determines the bonus of the President, as discussed below. The 2007 rows under column (d), “Bonus,” of the below Summary Compensation Table, represents the dollar value of bonus (cash and non-cash) earned by the identified officers during 2007, whether or not paid in such year. Bonuses for 2006 performance were not earned by the officers until they were approved and awarded in 2007. As a result, bonuses with respect to 2006 performance are included in the below Summary Compensation Table in the 2007 rows.

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

The named executive officers received an award of restricted stock units in 2007 based on the achievement of certain levels of corporate and individual performance in 2006, as discussed below. The 2007 rows under column (e), “Stock Awards,” of the Summary Compensation Table include the dollar amounts of expense recognized for financial statement reporting purposes with respect to 2007.

The named executive officers also received an award of stock options in 2007 based primarily on the achievement of certain levels of individual performance in 2006, as discussed below. The 2007 rows under column (f), “Option Awards,” of the Summary Compensation Table include the dollar amounts of expense recognized for financial statement reporting purposes with respect to 2007.

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

In 2006, U.S. Cellular identified two stock option grants in prior years to then newly-hired executive officers where the grant date and exercise price had been inadvertently based on a date that was earlier than the date of approval of such stock option grants by the Stock Option Compensation Committee. After discovering these errors, U.S. Cellular entered into amendments of stock option award agreements with such executive officers to correct the exercise price to the closing price of the underlying Common Shares as of the date of approval of the original stock option by the Stock Option Compensation

Committee. In connection with such amendments, U.S. Cellular agreed to pay \$7,784 to Mr. Ellison and \$41,148 to Mr. Irizarry 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. These amounts are reported in column (i) of the Summary Compensation Table below.

Benchmarking

U.S. Cellular engages in benchmarking with the companies in the peer group index included in the “Stock Performance Graph” that is included in the U.S. Cellular annual report to shareholders, as well as other companies in the telecommunications industry and other industries, to the extent considered appropriate, based on similar size, function, geography or otherwise.

The peer group companies included in the Stock Performance Graph for 2006 were ALLTEL Corp., Centennial Communications Corp., Dobson Communications Corp, and Sprint Nextel Corp, as well as U.S. Cellular. As a result of acquisitions of ALLTEL Corp. and Dobson Communications Corp. in 2007, U.S. Cellular believes that this peer group had too few participants and has selected the Dow Jones U.S. Telecommunications Index, a published industry index, for purposes of the performance graph in 2007 and currently expects to use this index in subsequent years. The Dow Jones U.S. Telecommunications Index is currently composed of the following companies: AT&T Inc., CenturyTel Inc., Cincinnati Bell Inc., Citizens Communications Co. (Series B), Embarq Corp., IDT Corp. (Class B), Leap Wireless International Inc., Leucadia National Corp., Level 3 Communications Inc., MetroPCS Communications Inc., NII Holdings Inc., Qwest Communications International Inc., RCN Corp., Sprint Nextel Corp., Telephone and Data Systems, Inc. (TDS and TDS.S), Time Warner Telecom, Inc., U.S. Cellular, Verizon Communications Inc., Virgin Media Inc. and Windstream Corp.

For annual cash compensation for the named executive officers other than the President and CEO, market benchmark data was obtained from a component of the Towers Perrin 2006 Proxy Pay Level Database. This component database contained the pay levels of the top five executive officers of Fortune 500 companies with revenues of less than \$5.9 billion. This database was used to benchmark the compensation of the named executive officers other than the President and CEO.

In addition, for the 2007 annual equity compensation awards, market benchmark data was obtained from the Towers Perrin 2006 Compensation Data Bank Executive Compensation Database. The database contained 375 companies that represented a diverse range of companies across all industries, including companies from the telecommunications, retail, financial, electronics, pharmaceutical, manufacturing and consumer products sectors. For comparison purposes, Towers Perrin provided market benchmark data based on a blended average basis with 67% of the total based on telecommunications industry data and 33% based on general industry data contained in the database. In addition, the benchmark data provided was based on only those companies that had approximate annual revenues in the \$1 billion to \$3 billion revenue range. This database was used to benchmark the equity compensation awards to the named executive officers, and also for the annual cash compensation of the President and CEO of U.S. Cellular.

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

The identity of the individual component companies that are included in the Towers Perrin databases is neither disclosed to, nor considered by, U.S. Cellular, the Chairman or the Stock Option Compensation Committee. U.S. Cellular, the Chairman and the Stock Option Compensation Committee rely upon and consider to be material only the aggregated survey data prepared by Towers Perrin. They do not obtain or consider information on the identities of the individual companies included in the survey in connection with any compensation decisions because this information is not considered to be material and because they rely on the services of Towers Perrin for such purposes.

Company Performance

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

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

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

The following table shows the calculation of the overall performance percentage for 2006 based on the 2006 Executive Bonus Plan for bonuses approved and paid in 2007. The below amounts cannot be derived from the financial statements. The results of markets that are owned but not managed by U.S. Cellular are not included in the below amounts. The Actual and Target results include only the results of markets that are managed by U.S. Cellular and over which U.S. Cellular officers have influence. Certain targets were adjusted somewhat from the original targets to keep them aligned with business goals. Accordingly, the below table shows the adjusted final Targets that were approved by the Chairman for 2006.

<u>Performance Measures</u>	<u>Actual Results for 2006</u>	<u>Final Adjusted Target for 2006</u>	<u>Actual as a % of Target</u>	<u>Minimum Achievement of Target (%) for Payout (Threshold)</u>	<u>Prorated % of Target Bonus Earned</u>	<u>Weight</u>	<u>Weighted Avg % of Target Bonus</u>
Gross Customer Addition Equivalents (in thousands)	1,207	1,373	87.9%	92.0%	0.00%	17.5%	0.0%
Consolidated Cash Flow (in millions)	\$ 900.3	\$ 946.0	95.2%	92.0%	63.7%	17.5%	11.1%
Consolidated Revenue (in millions)	\$3,387.8	\$3,426.4	98.9%	95.0%	86.5%	20.0%	17.3%
Postpay Customer Disconnects (in thousands)	882	953	92.6%	110.0%	174.4%	20.0%	34.9%
Return on Capital Percent	6.26%	6.44%	97.2%	92.0%	79.1%	<u>25.0%</u>	<u>19.8%</u>
Overall Company Performance (prorated % of target bonus)						<u>100.0%</u>	<u>83.1%</u>

As shown above, the minimum threshold was not achieved with respect to 2006 for Gross Customer Addition Equivalents.

Consolidated Cash Flow was 95.2% of target, which exceeded the threshold of 92%. Pursuant to the terms of the bonus plan, the achievement of 95.2% of target resulted in a prorated payout percentage of 63.7%, prior to weighting of this factor. Pursuant to the plan, this percentage was then weighted by 17.5% to obtain 11.1%.

Consolidated Revenue was 98.9% of target, which exceeded the threshold of 95%. Pursuant to the terms of the bonus plan, the achievement of 98.9% of target resulted in a prorated payout percentage of 86.5%, prior to weighting of this factor. Pursuant to the plan, this percentage was then weighted by 20% to obtain 17.3%.

Postpay Customer Disconnects were 92.6% of target, which exceeded the threshold of 110% (in this case a lower percentage is better). Pursuant to the terms of the bonus plan, the achievement of 92.6% of target resulted in a prorated payout percentage of 174.4%, prior to weighting of this factor. Pursuant to the plan, this percentage was then weighted by 20% to obtain 34.9%.

Return on Capital was 97.2% of target, which exceeded the threshold of 92%. Pursuant to the terms of the bonus plan, the achievement of 97.2% of target resulted in a prorated payout percentage of 79.1%, prior to weighting of this factor. Pursuant to the plan, this percentage was then weighted by 25% to obtain 19.8%.

The overall average percentage achieved with respect to 2006 was calculated to be 83.1%. Nevertheless, the entire amount of the bonus pool is discretionary and subject to approval by the Chairman. Pursuant to this discretionary authority, the Chairman adjusted the overall bonus pool to 90.25% of target, and then rounded this to 90.5%. This was done because certain strategic and other decisions subsequent to the time that the targets were set adversely affected performance compared to the targets.

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

Performance Objectives and Accomplishments

In addition to Company and/or business unit performance, the Chairman and the President considers personal objectives and performance. The personal objectives that the President considered in his evaluation of each of the named executive officers other than the President are almost entirely composed of team objectives of the management group. There was no minimum level of achievement of any of those objectives required before salary could be increased. The following identifies the significant objectives as well as the accomplishment of these objectives in 2006. The Chairman also considered these team objectives and performance in his evaluation of the President, as discussed below.

- U.S. Cellular did not achieve its target for Gross Customer Addition Equivalents. However, the Chairman considered that the company achieved growth of 2% in 2006 over 2005.
- U.S. Cellular did not fully achieve its target for Consolidated Cash Flow. However, the Chairman considered that the company achieved growth of 28% in 2006 over 2005.
- U.S. Cellular did not fully achieve its target for Consolidated Revenue. However, the Chairman considered that the company achieved growth of 14% in 2006 over 2005.
- U.S. Cellular over-achieved with respect to its target for Postpay Customer Disconnects. In addition, the company achieved a retail postpay churn of 1.56% in 2006, which was more favorable than both the target and 2005 results.
- U.S. Cellular did not fully achieve its target for Consolidated Return on Capital. However, the Chairman considered that the company achieved improvement to 6.26% in 2006 from 4.5% in 2005.
- U.S. Cellular demonstrated progress and improved results in certain of its newer recently launched markets. In addition, the company completed the integration of the Kansas and Nebraska markets acquired from ALLTEL in 2005 into its sales organization, billing system, network and customer care centers.
- To expand its footprint, U.S. Cellular added additional licenses covering a total population of approximately 43 million to its consolidated operations. U.S. Cellular added these licenses through its bidding partnership with Barat Wireless, L.P. in the FCC's Auction 66.
- U.S. Cellular worked closely with TDS in efforts to influence the FCC in its formulation of bidding rules and geographic license areas for the auction of 700 MHz spectrum (Auction 73).
- U.S. Cellular enhanced its competitiveness through the introduction of new national wide area and family service plans and new handsets. U.S. Cellular was the first wireless carrier in the U.S. to launch the (red) Motorola RAZR.

- U.S. Cellular successfully negotiated agreements related to, and launched, data roaming services.
- U.S. Cellular successfully deployed EV-DO technology and launched service on a trial basis in its Milwaukee market.
- U.S. Cellular was recognized for excellence in customer satisfaction, receiving the J.D. Power Associates Award for wireless call quality performance in the North Central Region. In addition, U.S. Cellular achieved industry leading performance in network operations and quality as evidenced by independent, third party evaluations.
- U.S. Cellular increased the responsiveness of its Information Services organization to the needs of the business and achieved important goals in the human resources area related to leadership development, diversity and associate satisfaction.

Each of Jay M. Ellison, Michael S. Irizarry and Jeffrey J. Childs was considered to have made a significant contribution to the aforementioned performance achievements and, accordingly, each such named executive officer was considered to far exceed expectations. Steven T. Campbell's contribution to such Performance Objectives and Achievements in 2006 was considered to exceed expectations because he was the Vice President and Controller in 2006 and did not become the Executive Vice President, Chief Financial Officer and Treasurer until 2007. The Chairman also considered these team objectives and performance achievements in his evaluation of John E. Rooney, as discussed below.

Annual Cash Compensation

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

Significant facts and circumstances that the Chairman considered in approving the annual cash compensation of all of the named executive officers, and that the President considered in recommending the annual cash compensation of named executive officers other than the President, are as follows: the fact that U.S. Cellular is a public company; the fact that U.S. Cellular is primarily a regional competitor and that some of its competitors are national or global telecommunications companies that are much larger than U.S. Cellular, possess greater resources, possess more extensive coverage areas and more spectrum within some coverage areas, and market other services with their communications services that U.S. Cellular does not offer; U.S. Cellular's performance in 2006, as discussed above; the performance objectives and achievements and the extent to which the officer was considered to have contributed to such achievements in 2006, as discussed above; the publicly-available benchmark information of cash compensation of U.S. Cellular's publicly-held peers and other publicly-held companies, as discussed above; certain ranges and metrics for the individual officers based on such benchmarks, as discussed below; and the overall views and feedback of U.S. Cellular personnel. In addition, the President and/or Chairman considered additional facts and circumstances with respect to each of the named executive officers as discussed below.

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

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

Base Salary

President and CEO. The 2006 base salary of John E. Rooney was \$736,000. On February 27, 2007, the Chairman approved an increase in the base salary of John E. Rooney to \$790,000 for 2007, representing an increase of approximately 7.3%.

The range considered to be appropriate in the judgment of the Chairman in approving John E. Rooney's base salary for 2007 as President was approximately \$640,000 to \$945,000. This range was based on a survey from U.S. Cellular's compensation consultant, Towers Perrin, and represented the 25th to 75th percentiles, respectively, of a population of comparable base salaries. The 50th percentile of this range was \$765,000. The population of comparable base salaries was comprised one-half of the base salaries of the chief executive officers of public companies and one-half of the base salaries of the chief executive officers of subsidiaries of publicly-held companies, similar in size to U.S. Cellular, recognizing the fact that U.S. Cellular is both a public company as well as a subsidiary of a public company. See "Benchmarking" above. The base salary approved for Mr. Rooney for 2007 of \$790,000 was approximately 103% of the 50th percentile. The salary of the President and CEO is believed to be within the median of the range considered to be appropriate in the judgment of the Chairman.

The Chairman also considered the achievement levels of objectives and performance measures that are stated in quantitative terms and the assessment of how well U.S. Cellular did as a whole during the year. As discussed above, the adjusted overall Company performance was 90.5% of target. See "Company Performance" above.

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

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

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

For disclosure purposes, in 2008, the base salary of the President and CEO for 2008 was increased to \$855,000, representing an increase of approximately 8.2% over the 2007 base salary. This will be reflected in next year's proxy statement.

Other Named Executive Officers. The base salary of each of the other named executive officers is also believed to be within the median of the range considered to be appropriate in the judgment of the Chairman. The ranges for each of the other named executive officers was based on a survey from U.S. Cellular's compensation consultant, Towers Perrin, based on, as applicable, the second highest paid, third highest paid, fourth highest paid and fifth highest paid executive officer in companies with revenues of less than \$5.9 billion. See "Benchmarking" above. In addition, see generally "Company Performance", "Performance Objectives and Accomplishments" and "Annual Cash Compensation" above for other factors considered in setting the annual base salary. The following discusses the annual base salary with respect to each of the other named executive officers.

Executive Vice President, Chief Financial Officer and Treasurer. Steven T. Campbell's base salary effective March 1, 2006 was \$250,000. Upon his promotion from Vice President and Controller to Executive Vice President, Chief Financial Officer and Treasurer effective January 1, 2007, Mr. Campbell's base salary was increased to \$325,000. The range considered to be appropriate for him for 2007 in his capacity as Executive Vice President, Chief Financial Officer and Treasurer was approximately \$340,200 to \$467,500 based on the fourth highest paid executive in the benchmarking survey discussed above. The median of this range is approximately \$405,900. Mr. Campbell's base salary was increased to \$377,881 or by 16.3% effective March 1, 2007, reflecting his rating of exceeds expectations for the reasons discussed above and his additional responsibilities as Executive Vice President, Chief Financial Officer and Treasurer. The amount reported in the Summary Compensation Table represents two months at the prior salary and ten months at the new salary, or a total of \$369,068.

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

For disclosure purposes, Mr. Campbell's base salary effective March 1, 2008 was increased to \$423,000. This will be reflected in the Summary Compensation Table in next year's proxy statement.

Executive Vice President and Chief Operating Officer. Jay M. Ellison's base salary effective March 1, 2006 was \$475,200. The range considered to be appropriate for him for 2007 in his capacity as Executive Vice President and Chief Operating Officer was approximately \$447,300 to \$700,000 based on the second highest paid executive in the benchmarking survey discussed above. The median of this range is approximately \$518,700. Mr. Ellison's base salary was increased to \$508,464 or by 7.0% effective March 1, 2007, reflecting his rating of far exceeds expectations for the reasons discussed above. The amount reported in the Summary Compensation Table represents two months at the prior salary and ten months at the new salary, or a total of \$502,920.

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

For disclosure purposes, Mr. Ellison's base salary effective March 1, 2008 was increased to \$549,000. This will be reflected in the Summary Compensation Table in next year's proxy statement.

Executive Vice President and Chief Technical Officer. Michael S. Irizarry's base salary effective March 1, 2006 was \$399,600. The range considered to be appropriate for him for 2007 in his capacity as Executive Vice President and Chief Technical Officer was approximately \$375,000 to \$535,000 based on the third highest paid executive in the benchmarking survey discussed above. The median of this range is approximately \$462,700. Mr. Irizarry's actual base salary was increased to \$460,000 or by 15.1% effective March 1, 2007, reflecting his rating of far exceeds expectations for the reasons discussed above. In addition, the base pay increase for Mr. Irizarry reflects the addition of all Information Systems (IS) responsibilities to his existing engineering and network operation responsibilities and takes into consideration his performance and accomplishments since taking on such additional IS responsibilities. The amount reported in the Summary Compensation Table represents two months at the prior salary and ten months at the new salary, or a total of \$449,933.

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

employment by U.S. Cellular since 2002; and the President's and Chairman's subjective views regarding Mr. Irizarry's contributions in such capacities to U.S. Cellular during that time.

For disclosure purposes, Mr. Irizarry's base salary effective March 1, 2008 was increased to \$496,800. This will be reflected in the Summary Compensation Table in next year's proxy statement.

Senior Vice President—Human Resources and Chief Human Resources Officer. Jeffrey J. Childs' base salary effective March 1, 2006 was \$353,160. The range considered to be appropriate for him for 2007 in his capacity as Senior Vice President—Human Resources was approximately \$297,200 to \$429,000 based on the fifth highest paid executive in the benchmarking survey discussed above. The median of this range is approximately \$365,500. Mr. Childs' base salary was increased to \$377,881 or by 7.0% effective March 1, 2007, reflecting his rating of far exceeds expectations for the reasons discussed above. The amount reported in the Summary Compensation Table represents two months at the prior salary and ten months at the new salary, or a total of \$373,761.

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

For disclosure purposes, Mr. Childs' base salary effective March 1, 2008 was increased to \$408,000. This will be reflected in the Summary Compensation Table in next year's proxy statement.

Bonus

On July 12, 2006, the U.S. Cellular 2006 Executive Officer Annual Incentive Plan Effective January 1, 2006 ("Executive Bonus Plan") was approved by the Chairman, who does not participate in such incentive plan. This bonus plan measures performance with respect to 2006, relating to bonuses paid in 2007. A copy of this plan was filed with the SEC on a Form 8-K dated July 12, 2006.

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

The officer bonus plans of U.S. Cellular are discretionary and are based, in part, on U.S. Cellular's performance, individual performance and individual bonus targets, which contribute to the formation and size of a bonus pool. The total pool is then divided into Executive Officer and Vice President annual plan pools, and allocated at the discretion of the President and CEO. The President and CEO considers performance measures and any other information that he deems relevant in determining the pools and allocations.

The following performance measures, using weights and definitions as approved by the Chairman, are considered in evaluating the achievements of the eligible participants for purposes of the Executive Bonus Plan: Customer Addition Equivalents; Customer Disconnects; Consolidated Revenue; Consolidated Cash Flow; and Return on Capital. U.S. Cellular sets target levels for such measures at levels that it believes are achievable with above average performance. U.S. Cellular believes it would require superior performance to achieve 200% of the target levels, which is the maximum for each factor and the plan. Nevertheless, although such performance measures may impact the amount of bonus an officer receives, all officer bonuses are discretionary, and individual performance and other factors contribute to the amount of bonus an officer receives. The President and CEO may consider the performance factors and any other information he deems relevant in determining the bonus. Bonuses are not earned, nor are payouts vested until a bonus has been approved and paid to an officer. As a result, the performance measures are one category of the factors used in determining the bonus, but do not

entitle the officer to any bonus until awarded. In addition, a bonus can be awarded based on judgment even if the performance measures are not met. Although performance measures influence the decision of the amount of the bonus, the entire amount of the bonus is discretionary and cannot be calculated in advance of approval and payment to the officer.

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

As noted above, the overall average percentage achieved with respect to 2006 was calculated to be 83.1%. Nevertheless, the entire amount of the bonus pool is discretionary and subject to approval by the Chairman. Pursuant to this discretionary authority, the Chairman increased the overall bonus pool to 90.5% of target. This was approved by the Chairman because certain strategic and other decisions subsequent to the time that the targets were set adversely affected performance compared to the targets. In addition, discretionary individual adjustments were made as discussed below.

The following shows certain information with respect to each named executive officer other than the President relating to the amount of the bonus for 2006 performance (paid in 2007) showing the amount of bonus awarded as a result of the achievement of the above performance measures and the amount awarded on a discretionary basis on an individual basis:

	<u>Steven T. Campbell</u>	<u>Jay M. Ellison</u>	<u>Michael S. Irizarry</u>	<u>Jeffrey J. Childs</u>
Allocation of 83.1% of bonus pool based on achievement of performance measures in 2006	\$ 72,713	\$236,935	\$149,430	\$117,390
Discretionary adjustment of bonus pool to adjust to 90.5%	6,475	21,099	13,307	10,454
Discretionary individual bonus adjustment	<u>23,812</u>	<u>78,380</u>	<u>49,791</u>	<u>38,326</u>
Total	<u>\$103,000</u>	<u>\$336,414</u>	<u>\$212,528</u>	<u>\$166,170</u>

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

In addition, the Chairman determines annually the President and CEO's bonus. There is no written bonus plan for the President. The bonus of the U.S. Cellular President is determined in a manner similar to the foregoing, but with some differences. In addition to the factors described above for all executive officers in general, the Chairman considers total cash compensation paid to chief executive officers of other comparable companies, including those which are divisions or subsidiaries of parent companies. These companies include the peer companies included in the "Stock Performance Graph" in the 2007 annual report to shareholders and as discussed above under "Benchmarking".

No specific measures of performance are considered determinative in the compensation of the President. As with the other executive officers, all facts and circumstances are taken into consideration by the Chairman in his executive compensation decisions for the President. Ultimately, it is the informed judgment of the Chairman that determines the cash compensation for the President.

With respect to the President's bonus, the Chairman does consider the results of the Executive Bonus Plan and bases the amount of the bonus to some degree upon the results of U.S. Cellular as measured by the performance objectives set by the Executive Bonus Plan. However, with respect to the President, the relationship of the bonus to such performance measures also involves a substantial amount of judgment and discretion on the part of the Chairman based on the total mix of information. The entire amount of the bonus is discretionary and the President and CEO does not become entitled to any amount of bonus as a result of performance measures or otherwise unless and until approved by the Chairman and paid.

With respect to the bonus determination for the President, the Chairman considered the achievement of the performance measures as discussed above for the other named executive officers. As noted

therein, the percentage of overall achievement of the target bonus for 2006 was 83.1%, which was adjusted on a discretionary basis to 90.5%. This percentage was considered by the Chairman, but was not applied mechanically to calculate any portion of the President's bonus. All of the President's bonus is discretionary.

The informal target for Mr. Rooney's bonus was 70% of his base salary for that year. Based on the 2006 base salary of \$736,000, Mr. Rooney's target bonus was \$515,000. Using a percentage of 90.5% of target, Mr. Rooney's bonus, prior to any discretionary individual adjustment, would be approximately \$466,000 if he participated in the Executive Bonus Plan. In determining the amount of the bonus for the President to be paid in 2007, the Chairman considered the facts and circumstances, personal objectives, achievement of such objectives, how well U.S. Cellular performed in the prior year, and the extent to which the President contributed to U.S. Cellular's performance, as discussed above. Based on these factors, on February 27, 2007, the Chairman approved a bonus to John E. Rooney of \$525,000 with respect to 2006 performance. This was 102% of his target bonus amount reflecting the Chairman's subjective views regarding U.S. Cellular's performance and achievements and Mr. Rooney's contributions to such performance and achievements in 2006.

On August 8, 2007, U.S. Cellular's Chairman approved an Executive Bonus Plan for 2007. A copy of this plan was filed with the SEC on a Form 8-K dated August 9, 2007. Performance and bonuses under this plan will be reflected in next year's proxy statement.

For disclosure purposes, the amount of bonus paid on March 14, 2008 with respect to 2007 performance is as follows:

	<u>John E. Rooney</u>	<u>Steven T. Campbell</u>	<u>Jay M. Ellison</u>	<u>Michael S. Irizarry</u>	<u>Jeffrey J. Childs</u>
Total Bonus for 2007 paid in 2008	<u>\$675,000</u>	<u>\$252,000</u>	<u>\$401,000</u>	<u>\$275,000</u>	<u>\$204,000</u>

The amount of the bonus for 2007 paid in 2008 is only provided for disclosure purposes. These amounts were not earned until paid in 2008 and will be reported in next year's Summary Compensation Table with respect to 2008.

Long-Term Equity Compensation

In addition to the process for determining base salary and bonus above, the Chairman recommends and the Stock Option Compensation Committee approves long-term equity compensation awards to the named executive officers under the U.S. Cellular 2005 Long-Term Incentive Plan, which include stock options and restricted stock units.

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

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

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

with respect to 33 $\frac{1}{3}$ % of the shares underlying the stock option each year over a three year period, and will be exercisable until the tenth anniversary of the date of grant subject to continued employment.

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

The Stock Option Compensation Committee measured corporate and individual performance as follows to determine the amount of restricted stock units and stock options to award to the named executive officers in 2007. The following first discusses the general approach used for the named executive officers other than the President. Following that is a discussion of how this approach was modified with respect to the President.

The target allocation of long-term compensation awards in 2007 was 60% in stock options and 40% in restricted stock units for named executive officers other than the President. This allocation was based on information from U.S. Cellular's compensation consultant, Towers Perrin. See "Benchmarking" above.

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

Based on information from Towers Perrin, the formula for determining the number of stock options to award was (a) 60% \times the officer's March 1, 2007 salary \times the officer performance multiple divided by (b) the product of (i) an option vesting discount factor and (ii) the Black Scholes value of an option on U.S. Cellular's stock based on the closing stock price on the grant date. This result was rounded to the nearest 25 shares (or multiple thereof).

Based on information from Towers Perrin, the formula for determining the number of restricted stock units to award was (a) 40% \times the officer's March 1, 2007 salary \times the officer performance multiple \times U.S. Cellular performance factor divided by (b) the product of (i) the value of a U.S. Cellular Common Share based on the closing stock price on the grant date and (ii) a vesting discount factor to account for forfeitures. The Company performance multiple used was 90.25%. This is slightly less than the adjusted percentage of achievement of the target bonus pool for 2006 of 90.50%, as discussed above, because the Chairman rounded the performance multiple used for the bonus pool to 90.5%, whereas this additional 0.25% adjustment was not included in the performance multiple for long-term equity awards.

The officer performance multiple represents a number based on information from Towers Perrin derived from benchmarking data from a population of companies that were 2/3 telecommunications companies and 1/3 general corporations as discussed under "Benchmarking" above, provided that U.S. Cellular does not increase or decrease the multiple by more than 15% from the multiple used for the immediately preceding year. The amount of this multiple related to the officer's relative position in the Company and whether the officer's performance was considered to have failed to meet expectations, met expectations, exceeded expectations or far exceeded expectations. In 2006, all named executive officers were considered to have exceeded expectations or far exceeded expectations. The multiples based on information provided by Towers Perrin were intended to provide awards at the 50th percentile for an officer that meets expectations, at the 60th percentile for an officer who exceeds expectations and at the 65th percentile for an officer that far exceeds expectations. In recognition of the fact that U.S. Cellular's corporate parent provides certain administrative and similar services, the multiple actually used for far exceeds expectations for the named executive officer was set to be the same as the multiple for exceeds expectations at the 60th percentile. Based on information from Towers Perrin, the named executive officers other than the President were assigned the multiples disclosed below for the reasons disclosed below.

Steven T. Campbell's performance multiple was 1.46 based on information from Towers Perrin for an officer at Mr. Campbell's level and performance, which is intended to provide awards at the 60th percentile. Mr. Campbell's performance was considered to exceed expectations as discussed above under Performance Objectives and Accomplishments.

Jay M. Ellison's performance multiple was 2.53 based on information from Towers Perrin for an officer at Mr. Ellison's level and performance, which is intended to provide awards at the 60th percentile. Mr. Ellison's performance was considered to far exceed expectations as discussed above under Performance Objectives and Accomplishments.

Michael S. Irizarry's performance multiple was 2.01 based on information from Towers Perrin for an officer at Mr. Irizarry's level and performance, which is intended to provide awards at the 60th percentile. Mr. Irizarry's performance was considered to far exceed expectations as discussed above under Performance Objectives and Accomplishments.

Jeffrey J. Childs' performance multiple was 1.46 based on information from Towers Perrin for an officer at Mr. Childs' level and performance, which is intended to provide awards at the 60th percentile. Mr. Childs' performance was considered to far exceed expectations as discussed above under Performance Objectives and Accomplishments.

As a result of the foregoing formulas and individual performance factors, the following stock options and restricted stock units were granted to the other named executive officers in 2007:

<u>Name</u>	<u>Number of Shares Underlying Stock Options</u>	<u>Number of Shares Underlying Restricted Stock Units</u>
Steven T. Campbell	17,200	3,123
Jay M. Ellison	40,100	7,281
Michael S. Irizarry	28,825	5,233
Jeffrey J. Childs	17,200	3,123

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

	<u>Formula</u>	<u>Steven T. Campbell</u>	<u>Jay M. Ellison</u>	<u>Michael S. Irizarry</u>	<u>Jeffrey J. Childs</u>	
a	March 1, 2007 Base Salary	\$377,881	\$ 508,464	\$460,000	\$377,881	
b	Performance Multiple	1.46	2.53	2.01	1.46	
c	Long Term Incentive Target Value . . .	a × b	\$551,706	\$1,286,414	\$924,600	\$551,706
d	Option Value	c × 60%	\$331,024	\$ 771,848	\$554,760	\$331,024
e	Closing Stock Price on April 2, 2007 .	\$ 73.84	\$ 73.84	\$ 73.84	\$ 73.84	
f	Closing Price × Black-Scholes Ratio .	e × 29.4%	\$ 21.71	\$ 21.71	\$ 21.71	\$ 21.71
g	Adj. Price × Option Vesting Discount Factor	f × .8865	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24
h	Options Granted (rounded)	d / g	17,200	40,100	28,825	17,200
i	RSU Value	c × 40%	\$220,683	\$ 514,566	\$369,840	\$220,683
j	Company Performance %	90.25%	90.25%	90.25%	90.25%	
k	Adjusted RSU Value	\$199,186	\$ 464,395	\$333,781	\$199,166	
l	Price × RSU Vesting Discount Factor .	e × .8638	\$ 63.78	\$ 63.78	\$ 63.78	\$ 63.78
	RSUs Granted	k / l	3,123	7,281	5,233	3,123

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

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

publicly-held companies, similar in size to U.S. Cellular. The total of this target allocation was approximately \$2,951,360 at the 50th percentile and \$3,238,400 at the 60th percentile with respect to grants in 2007.

Mr. Rooney's target allocation with respect to restricted stock units was approximately 15% of his total long-term target award. This allocation is based on a long-standing fixed dollar target approach to this portion of his compensation. Mr. Rooney's fixed dollar target restricted stock unit value was \$411,290. This was multiplied by the Company Performance percentage of 90.25% to derive an adjusted restricted stock unit value of approximately \$371,190. This amount was then divided by the closing stock price on April 2, 2007 of \$73.84 to arrive at an award of 5,027 restricted stock units in 2007.

Mr. Rooney's target allocation with respect to stock options was approximately 85% of his total long-term target award. The target allocation was approximately \$2,540,070 at the 50th percentile and \$2,827,110 at the 60th percentile with respect to stock option grants in 2007. Using the Black-Scholes adjusted price of \$21.71, the target stock option awards would be approximately 117,000 at the 50th percentile and 130,000 at the 60th percentile. However, of the 85% allocation, 60% was based on the position's long-term incentive multiple and 25% was based on the position's long-term incentive multiple adjusted for the U.S. Cellular performance factor of 90.25%, as discussed above. Based on the foregoing approach, the Chairman recommended and the Stock Option Compensation Committee awarded Mr. Rooney stock options with respect to 121,000 shares in 2007.

The stock options and restricted stock units granted in 2007 vested on October 2, 2007 pursuant to the executory portions of an offer letter which was accepted by John E. Rooney on March 28, 2000 relating to his employment as President and Chief Executive Officer.

As with the annual salary and bonus, executive officers do not become entitled to any stock options or restricted stock units as a result of the achievement of any corporate or individual performance levels. The award of stock options and restricted stock units is entirely discretionary and executive officers have no right to any stock option or restricted stock unit awards unless and until they are awarded. As a result, the awards relating to 2006 performance were not earned by the executive officers until they were approved and awarded in 2007. Accordingly, awards with respect to 2006 performance are included in the Summary Compensation Table below with respect to compensation earned in 2007.

For disclosure purposes, the stock options and restricted stock unit awards granted on April 1, 2008 with respect to 2007 performance are as follows:

<u>Name</u>	<u>Number of Shares Underlying Stock Options</u>	<u>Number of Shares Underlying Restricted Stock Units</u>
John E. Rooney	136,000	7,695
Steven T. Campbell	27,175	6,120
Jay M. Ellison	61,250	13,794
Michael S. Irizarry	44,150	9,943
Jeffrey J. Childs	26,225	5,903

The foregoing amounts are only provided for disclosure purposes. These amounts were not earned until awarded in 2008 and will be reflected in next year's Summary Compensation Table with respect to 2008.

Analysis of Compensation

The following table identifies the percentage of each element of total compensation of each of the named executive officers based on the Summary Compensation Table for 2007:

	<u>John E. Rooney</u>	<u>Steven T. Campbell</u>	<u>Jay M. Ellison</u>	<u>Michael S. Irizarry</u>	<u>Jeffrey J. Childs</u>
Salary	20.2%	50.1%	26.2%	31.3%	34.3%
Bonus	13.4%	14.0%	17.5%	14.8%	15.3%
Stock Awards	13.0%	9.4%	23.0%	20.3%	21.2%
Stock Options	51.5%	21.9%	30.0%	27.4%	25.8%
Other	1.9%	4.6%	3.3%	6.2%	3.4%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

The total 2007 compensation of the President and CEO pursuant to the Summary Compensation Table was \$3,911,429. The total 2007 compensation of the other named executive officers ranged from a high of \$1,920,452 to a low of \$736,122. The reasons for the disparities in compensation include: 1. the effects of SEC and accounting rules in computing total compensation, and 2. differences in U.S. Cellular's policies or decision-making regarding the executives' compensation.

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

	<u>John E. Rooney</u>	<u>Steven T. Campbell</u>	<u>Jay M. Ellison</u>	<u>Michael S. Irizarry</u>	<u>Jeffrey J. Childs</u>
2007					
Total per Summary Compensation Table	<u>\$ 3,911,429</u>	<u>\$ 736,122</u>	<u>\$ 1,920,452</u>	<u>\$1,428,918</u>	<u>\$1,089,327</u>
Less FAS 123R Expense for Stock Awards	(508,779)	(69,243)	(442,648)	(292,093)	(230,607)
Less FAS 123R Expense for Options	<u>(2,013,137)</u>	<u>(161,182)</u>	<u>(575,979)</u>	<u>(394,040)</u>	<u>(280,822)</u>
Total FAS 123R Expense for all Awards	<u>(2,521,916)</u>	<u>(230,425)</u>	<u>(1,018,627)</u>	<u>(686,133)</u>	<u>(511,429)</u>
Add Grant Date Value of Awards from Grants of Plan-Based Awards Table	<u>2,537,474</u>	<u>516,767</u>	<u>1,204,793</u>	<u>865,981</u>	<u>516,767</u>
Total Compensation using Grant Date Values	<u>\$ 3,926,987</u>	<u>\$1,022,464</u>	<u>\$ 2,106,618</u>	<u>\$1,608,766</u>	<u>\$1,094,665</u>

For comparison purposes, the following shows the total compensation for 2006 calculated on a comparable basis, except for Steven T. Campbell, whose compensation was not reported in 2006:

2006					
Total Compensation using Grant Date Values	<u>\$ 3,311,762</u>	<u>N/A</u>	<u>\$ 1,442,796</u>	<u>\$1,009,249</u>	<u>\$ 879,698</u>

As indicated above, if 2007 compensation is instead calculated using the grant date value of awards, rather than the FAS 123R expense of award, Mr. Rooney's total compensation would have been

\$3,926,987 and the total compensation for the other named executive officers would have ranged from a high of \$2,106,618 to a low of \$1,022,464. Using this approach, Mr. Rooney's total compensation is approximately 1.86 times the total compensation of the next highest compensated named executive officer.

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

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

Other Benefits and Plans Available to Identified Officers

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

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

To achieve these objectives, the Chairman and the Stock Option Compensation Committee believe that the named executive officers must be offered a competitive compensation package, including benefits and plans. U.S. Cellular's compensation packages are designed to compete with other companies for talented employees. U.S. Cellular's benefits and plans are part of this package and enable U.S. Cellular to attract and retain eligible employees, including the named executive officers. Thus, the benefits and plans fit into U.S. Cellular's overall compensation objectives primarily by helping U.S. Cellular achieve the second objective of U.S. Cellular's overall compensation objectives, which is to

attract and retain high quality management. Benefits and plans are an important part of the mix of compensation used to attract and retain management, but do not otherwise significantly affect decisions relating to other elements of annual or long-term compensation, which are provided consistent with the above compensation objectives, including to (i) support U.S. Cellular's overall business strategy and objectives; (ii) attract and retain high quality management, (iii) link individual compensation with attainment of individual performance goals and with attainment of business unit and U.S. Cellular objectives and (iv) provide competitive compensation opportunities consistent with the financial performance of U.S. Cellular.

General Provisions under Plans and Certain Agreements

Deferred Salary and Bonus

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

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

Deferred Bonus. The named executive officers are also permitted to defer bonus pursuant to deferred bonus compensation agreements under the 2005 Long-Term Incentive Plan, as discussed below. The entire amount of the bonus earned is reported in the Summary Compensation Table in column (d) under "Bonus," whether or not deferred. Deferred bonus will be deemed invested in phantom U.S. Cellular Common Shares. The named executive officers make an election as to when to receive a distribution of the deferred compensation account.

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

U.S. Cellular 2005 Long-Term Incentive Plan

Long-term compensation awards under the U.S. Cellular 2005 Long-Term Incentive Plan were discussed above in this Compensation Discussion and Analysis. The following provides certain additional information relating to deferred bonus, restricted stock units and stock options.

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

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

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

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

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

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

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

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

Retirement. If the officer's employment terminates by reason of Retirement (termination of employment or service on or after the holder's attainment of age 65 that does not satisfy the definition of "Special Retirement"), then the stock option immediately will become exercisable in full and after such date may be exercised by the holder (or the holder's legal representative) for a period of 90 days after the effective date of the Retirement, or until the stock option's expiration date, whichever period is

shorter. However, effective for stock options granted in April 2008, acceleration of vesting will occur only if at the time of termination, the officer has attained age 66 and the termination occurs subsequent to the year of grant.

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

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

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

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

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

Retirement at or after Attainment of Age 65, Disability or Death. If the officer's employment terminates prior to the third anniversary of the date of grant by reason of retirement at or after attainment of age 65, disability or death, the award will become fully vested. However, effective for awards granted in April 2008, acceleration of vesting upon retirement only will occur if at the time of termination, the officer has attained age 66 and the termination occurs subsequent to the year of grant.

Other Termination of Employment or Service. If the officer's employment terminates prior to the third anniversary of the date of grant for any reason other than retirement at or after attainment of age 65, disability or death, the award will be forfeited.

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

Payment of deferred compensation generally will be in accordance with the employee's payment method and distribution date elections, provided that if an employee is a "key employee" within the meaning of Section 409A of the Code, and is entitled to payment by reason of a separation from service for a reason other than permanent disability or death, no portion of his or her deferred compensation

account subject to Section 409A of the Code shall be paid before the date which is six months after the date of separation from service (or if earlier, the date of the employee's death).

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

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

Change in Control

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

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

- causing all outstanding stock options and SARs to immediately become exercisable in full;
- causing the restriction period applicable to any outstanding restricted stock or restricted stock unit award to lapse;
- causing the performance period applicable to any outstanding performance award to lapse;
- causing the performance measures applicable to any outstanding award (if any) to be deemed to be satisfied at the minimum, target or maximum level;
- causing the amount in a deferred compensation account attributable to a company match to vest;
- causing each outstanding award to be converted into a substitute award; or
- electing that each outstanding award will be surrendered to U.S. Cellular by the holder thereof, and that each such award will immediately be canceled by U.S. Cellular, and that the holder will receive, within a specified period of time from the occurrence of the Change in Control, a cash payment from U.S. Cellular.

For the definition of Change in Control, see U.S. Cellular's 2005 Long-Term Incentive Plan, attached as Exhibit B to U.S. Cellular's Notice of Annual Meeting to Shareholders and Proxy Statement dated April 5, 2005.

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

SERP

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

A participant is entitled to distribution of his entire account balance under the SERP if the participant's employment is terminated, without cause, after either (a) his or her attainment of age 65; or (b) his or her completion of at least ten years of service. If a participant terminates employment under circumstances other than those set forth in preceding sentence, without cause, the participant will be entitled to distribution of 10% of his or her account balance for each year of service up to ten years. Upon termination under circumstances that permit payments under the SERP, the participant may elect to take payments in (a) a single lump sum or (b) annual installments over a period of years. The SERP does not include any provision that would increase benefits or accelerate amounts upon any termination or change in control and, accordingly, no amount is included in the below table of Potential Payments upon Termination or Change in Control. The balance of the SERP as of December 31, 2007 for each named executive officer is set forth in the "Nonqualified Deferred Compensation" table below.

Perquisites

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

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

Other Generally Applicable Benefits and Plans

Employee Stock Purchase Plans

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

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

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

Tax-Deferred Savings Plan

TDS sponsors the Tax-Deferred Savings Plan, a qualified defined contribution plan pursuant to Sections 401(a) and 401(k) of the Internal Revenue Code. This plan is available to employees of TDS and its subsidiaries, including U.S. Cellular. Employees contribute amounts and U.S. Cellular makes matching contributions in part. U.S. Cellular and participating employers make matching contributions to the plan in cash equal to 100% of an employee's contributions up to the first 3% and 40% of an employee's contributions up to the next 2% of such employee's compensation. Participating employees have the option of investing their contributions and U.S. Cellular's contributions in a TDS Common Share

fund, a TDS Special Common Share fund, a U.S. Cellular Common Share fund or certain unaffiliated funds. The amount of the contribution with respect to the executives identified in the Summary Compensation Table is included in column (i), "All Other Compensation," of the Summary Compensation Table. SEC rules do not require the Summary Compensation Table to include earnings or other amounts with respect to tax-qualified defined contribution plans.

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

Pension Plan

TDS sponsors a qualified noncontributory defined contribution Pension Plan for the employees of TDS and its subsidiaries, including U.S. Cellular. Under this plan, pension costs are calculated separately for each participant and are funded currently. The Pension Plan is designed to provide retirement benefits for eligible employees of TDS and certain of its affiliates which adopted the Pension Plan. TDS and its subsidiaries make annual employer contributions for each participant. The amount of the contribution with respect to the executives identified in the Summary Compensation Table is included in column (i), "All Other Compensation," of the Summary Compensation Table. SEC rules do not require the Summary Compensation Table to include earnings or other amounts with respect to tax-qualified defined contribution plans.

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

Health and Welfare Benefits

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

Impact of Accounting and Tax Treatments of Particular Forms of Compensation

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

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

Subject to certain exceptions, Section 162(m) of the Internal Revenue Code generally provides a \$1 million annual limit on the amount that a publicly held corporation is allowed to deduct as compensation paid to each of the corporation's principal executive officer and the corporation's other three most highly compensated officers, exclusive of the principal executive officer and principal financial officer. U.S. Cellular does not believe that the \$1 million deduction limitation should have a material adverse effect on U.S. Cellular's financial condition, results of operations or cash flows in the near future. If the \$1 million deduction limitation is expected to have a material adverse effect on U.S. Cellular in the future, U.S. Cellular will consider ways to maximize the deductibility of executive compensation, while retaining the discretion U.S. Cellular deems necessary to compensate executive officers in a manner commensurate with performance and the competitive environment for executive talent.

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

Financial Restatement

Depending on the facts and circumstances, U.S. Cellular may seek to adjust or recover awards or payments if the relevant U.S. Cellular performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment. In 2006 and 2007, U.S. Cellular restated financial statements and financial information for the three years ended December 31, 2004 and 2005, respectively, including quarterly information for the two fiscal years then ended, and certain financial data for prior fiscal years. This resulted in U.S. Cellular being late in certain SEC filings. The company has not identified any facts that would suggest that the restatements involved any fraud, misrepresentation, misconduct or improprieties. The restatements related to unintentional misapplication of technical accounting rules or errors in calculations or posting of entries. The restatements had little effect on operating metrics and little effect on financial measures that are the primary measures that were used to determine the level of bonuses. In particular, the most significant areas of adjustment in the restatements were derivatives accounting and income tax accounting, which have no relationship to metrics or measures used to determine bonuses. Accordingly, there was no adjustment of prior year bonuses due to the restatements. The restatement announced in 2005 and completed in 2006 was considered in approving compensation elements in 2006 for certain officers responsible for accounting matters and the restatement announced in 2006 and completed in 2007 was considered in approving compensation elements in 2007 for certain officers responsible for accounting matters.

Policy on Stock Ownership

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

Compensation Consultant

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

Compensation Committee Report

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

In reliance on the review and discussions referred to above, the undersigned recommended to the board of directors that the above Compensation Discussion and Analysis be included in U.S. Cellular's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and U.S. Cellular's proxy statement related to the 2008 Annual Meeting of Stockholders.

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

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

Summary of Compensation

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

Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary \$ (c)	Bonus (\$) (d)	Stock Awards (\$) (e)	Option Awards (\$) (f)	Non-Equity Incentive Plan Compensation (\$) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (h)	All Other Compensation (\$) (i)	Total (\$) (j)
John E. Rooney (1) . President and Chief Executive Officer	2007	\$790,000	\$525,000	\$ 508,779	\$2,013,137	—	\$3,655	\$70,858	\$3,911,429
	2006	\$734,084	\$300,000	\$1,185,929	\$3,158,606	—	\$3,335	\$51,921	\$5,433,875
Steven T. Campbell (2) Executive Vice President— Finance, Chief Financial Officer and Treasurer since January 1, 2007	2007	\$369,068	\$103,000	\$ 69,243	\$ 161,182	—	—	\$33,629	\$ 736,122
Jay M. Ellison (3) . . Executive Vice President and Chief Operating Officer	2007	\$502,920	\$336,414	\$ 442,648	\$ 575,979	—	\$1,157	\$61,334	\$1,920,452
	2006	\$467,867	\$176,000	\$ 480,214	\$ 535,037	—	\$1,201	\$43,727	\$1,704,046
Michael S. Irizarry (4) Executive Vice President and Chief Technical Officer	2007	\$449,933	\$212,528	\$ 292,093	\$ 394,040	—	\$ 35	\$80,289	\$1,428,918
	2006	\$393,434	\$110,000	\$ 305,673	\$ 388,879	—	—	\$27,380	\$1,225,366
Jeffrey J. Childs (5) . Senior Vice President—Human Resources and Chief Human Resources Officer	2007	\$373,761	\$166,170	\$ 230,607	\$ 280,822	—	\$ 8	\$37,959	\$1,089,327
	2006	\$347,710	\$ 86,000	\$ 238,273	\$ 258,849	—	—	\$23,197	\$ 954,029

Explanation of Column:

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

LeRoy T. Carlson, Jr., Chairman of U.S. Cellular, and LeRoy T. Carlson, a director of U.S. Cellular and executive officers of TDS, receive no compensation from U.S. Cellular. In addition, Kenneth R. Meyers, a director of U.S. Cellular and executive

officer of TDS, received no compensation from U.S. Cellular in 2007. LeRoy T. Carlson, Jr., is compensated, and in 2007, Kenneth R. Meyers was compensated, by TDS in connection with their services for TDS and TDS subsidiaries, including U.S. Cellular. A portion of their compensation expense incurred by TDS is allocated to U.S. Cellular by TDS, along with the allocation of other compensation expense and other expenses of TDS. This allocation by TDS to U.S. Cellular is done in the form of a single management fee pursuant to the Intercompany Agreement discussed below under "Intercompany Agreement." There is no identification or quantification of the compensation of such persons to U.S. Cellular, or of any other allocated expense in this management fee. The management fee is recorded as a single expense by U.S. Cellular. U.S. Cellular does not obtain details of the components that make up this fee and does not segregate this fee or allocate any part of the management fee to other accounts such as compensation expense. Accordingly, the compensation expenses incurred by TDS with respect to such persons are not reported in the above table. However, for purposes of disclosure, approximately 76% of LeRoy T. Carlson, Jr.'s compensation expense in 2007, approximately 77% of Kenneth R. Meyers' compensation expense in 2007 and approximately 76% of LeRoy T. Carlson's compensation expense in 2007 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 2008 annual meeting of shareholders.

- (b) Although three years of compensation are required to be reported, pursuant to transition rules, the amounts for 2005 are not reported. For additional details relating to 2006, see the U.S. Cellular proxy statement filed with the SEC on Schedule 14A on April 25, 2007. Amounts for 2006 are not required to be reported for Steven T. Campbell because he was not a named executive officer in 2006.
- (c) Represents the dollar value of base salary (cash and non-cash) earned by the named executive officer during the fiscal year. John E. Rooney has deferred 20% of his 2007 base salary, all of which salary is included in column (c) whether or not deferred. See "Information Regarding Nonqualified Deferred Compensation" below. The other officers did not defer any salary in 2007.
- (d) Represents the dollar value of bonus (cash and non-cash) earned by the named executive officer during the fiscal year. As discussed in the Compensation Disclosure and Analysis, officers do not become entitled to any amount of bonus solely as a result of achievement of any performance measures. The officers are not entitled to any amount of bonus unless and only to the extent awarded and paid. Performance measures are only one category of the factors used to determine the amount of the bonus, all of which is discretionary, as discussed above. The entire amount of the bonus is not earned until awarded. Because officers are not entitled to any bonus until awarded, the bonus amounts reported as earned in 2007 above represent bonuses awarded and paid in 2007. This includes the bonus based on 2006 performance that was paid on March 15, 2007. See "Bonus" in the Compensation Disclosure and Analysis. Mr. Rooney deferred 100% of his 2006 bonus (earned in 2007). The amount deferred is deemed invested in phantom stock units in U.S. Cellular Common Shares. See "Grants of Plan-Based Awards" below. The entire amount of his bonus earned in 2007, including the amount deferred, is included above in column (d). See "Information Regarding Nonqualified Deferred Compensation" below. As a result, Mr. Rooney also received a Company match of phantom stock bonus match units in U.S. Cellular Common Shares having a value of \$153,143. See Note (e) below. The other officers did not defer any bonus in 2007.

For disclosure purposes, the amount of bonus paid on March 14, 2008 with respect to 2007 is as follows:

	<u>John E. Rooney</u>	<u>Steven T. Campbell</u>	<u>Jay M. Ellison</u>	<u>Michael S. Irizarry</u>	<u>Jeffrey J. Childs</u>
Total Bonus for 2007 paid in 2008	<u>\$675,000</u>	<u>\$252,000</u>	<u>\$401,000</u>	<u>\$275,000</u>	<u>\$204,000</u>

The amount of the Bonus for 2007 paid in 2008 is only provided for disclosure purposes. These amounts were not earned until paid in 2008 and will be reported in next year's Summary Compensation Table with respect to 2008.

- (e) Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions. The vesting period of the awards is set forth under "Grants of Plan-Based Awards" below. Assumptions made in the valuation of stock awards in this column are incorporated by reference to Note 19 in U.S. Cellular's financial statements for the year ended December 31, 2007 included in its Form 10-K for the year ended December 31, 2007. All above stock awards were valued based on grant date fair value using an annual forfeiture rate (the percentage of stock awards granted that are assumed will be forfeited) of 0%. The annual forfeiture rate used in the calculation of the FAS 123R expense was 8.03% in 2007 and 7.74% in 2006. There were no forfeitures of stock awards in 2007 for the identified officers.

Includes the amount of FAS 123R expense related to restricted stock units under the U.S. Cellular 2005 Long-Term Incentive Plan. U.S. Cellular restricted stock units granted in 2007 will become vested on the third anniversary of the grant date, or on April 2, 2010, except with respect to Mr. Rooney whose restricted stock units became vested on October 2, 2007.

Also includes the amount of FAS 123R expense related to phantom stock bonus match units in U.S. Cellular Common Shares credited to such officer with respect to deferred bonuses. Deferred bonus is deemed invested in phantom U.S. Cellular Common Shares. U.S. Cellular does not currently pay dividends. Mr. Rooney deferred 100% of his 2006 bonus, which was paid in 2007. Accordingly, Mr. Rooney received a phantom stock bonus match with respect to such deferred bonus in 2007. As a result, he received a matching stock grant having a grant date value of \$153,143. However, column (e) above includes

the amount of FAS 123R expense recognized in 2007 of \$137,585. See “Information Regarding Nonqualified Deferred Compensation” below.

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

	John E. Rooney	Steven T. Campbell	Jay M. Ellison	Michael S. Irizarry	Jeffrey J. Childs
2004 Restricted Stock Units	\$ —	\$ —	\$ 20,794	\$ 13,411	\$ 12,059
2005 Restricted Stock Units	—	—	210,993	133,559	118,045
2006 Restricted Stock Units	—	11,648	76,546	48,614	42,908
2007 Restricted Stock Units	371,194	57,595	134,315	96,509	57,595
Amount of restricted stock expense in 2007	\$371,194	\$69,243	\$442,648	\$292,093	\$230,607
Amount of bonus match expense in 2007	137,585	—	—	—	—
Total	<u>\$508,779</u>	<u>\$69,243</u>	<u>\$442,648</u>	<u>\$292,093</u>	<u>\$230,607</u>

For reference purposes, the following is a summary of the grant date value of stock awards in 2007 reflected in column (l) of the Grants of Plan Based Awards Table below:

	John E. Rooney	Steven T. Campbell	Jay M. Ellison	Michael S. Irizarry	Jeffrey J. Childs
2007 Restricted Stock Units	\$371,194	\$230,602	\$537,629	\$386,405	\$230,602
2007 Bonus Match Awards	153,143	—	—	—	—
Total	<u>\$524,337</u>	<u>\$230,602</u>	<u>\$537,629</u>	<u>\$386,405</u>	<u>\$230,602</u>

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

- (f) Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions. The dates on which the stock options become exercisable and expire is set forth below under “Grants of Plan-Based Awards.” Assumptions made in the valuation of the stock option awards in this column are incorporated by reference from Note 19 in U.S. Cellular’s financial statements for the year ended December 31, 2007 included in its Form 10-K for the year ended December 31, 2007. All above stock options were valued based on grant date fair value using a forfeiture rate (the percentage of stock options granted in 2007 that are assumed will be forfeited) of 0%. The annual forfeiture rate used in the calculation of the FAS 123R expense was 9.6% in 2007 and 4.4% in 2006. There were no forfeitures of stock options in 2007 for the identified officers. The awards represent stock options with respect to U.S. Cellular Common Shares awarded during the fiscal year.

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

	John E. Rooney	Steven T. Campbell	Jay M. Ellison	Michael S. Irizarry	Jeffrey J. Childs
2002 Options	\$ —	\$ —	\$ —	\$ 6,343	\$ —
2003 Options	—	—	11,412	7,183	—
2004 Options	—	—	48,756	31,452	25,929
2005 Options	—	14,171	81,085	51,321	45,387
2006 Options	—	35,540	174,848	110,935	98,034
2007 Options	2,013,137	111,471	259,878	186,806	111,472
Amount of stock option expense in 2007	<u>\$2,013,137</u>	<u>\$161,182</u>	<u>\$575,979</u>	<u>\$394,040</u>	<u>\$280,822</u>

For reference purposes, the following is a summary of the grant date value of stock options in 2007 reflected in column (l) of the Grants of Plan Based Awards Table below:

	John E. Rooney	Steven T. Campbell	Jay M. Ellison	Michael S. Irizarry	Jeffrey J. Childs
Grant date value of stock options awarded in 2007	<u>\$2,013,137</u>	<u>\$286,165</u>	<u>\$667,164</u>	<u>\$479,576</u>	<u>\$286,165</u>

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

- (g) None of the above executive officers has any earnings for services performed during the fiscal year pursuant to awards under “non-equity incentive plans” or earnings on any outstanding awards, pursuant to SEC rules. All amounts paid or awarded are

disclosed in other columns under SEC rules. Although the 2007 Executive Officer Annual Incentive Plan Effective January 1, 2007 provides incentives to executive officers other than the Chairman and the President, this plan does not function in a way which permits the determination of the bonus based on achievement of performance measures, and is based on the judgment and discretion of the President and Chairman, as discussed above. Amounts under this plan are not earned until they are awarded and paid in the following year. There is no way under such plan to determine the amount to be paid prior to such time. Accordingly, amounts paid under such plan are set forth above under Bonus in column (d). See the discussion under "Bonus" in the above Compensation Discussion and Analysis.

- (h) As required by SEC rules, column (h) includes the portion of interest that exceeded 120% of the applicable federal long-term rate ("AFR"), with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the time each monthly interest rate is set. Each of the identified officers participates in a supplemental executive retirement plan or SERP. The interest rate for 2007 was set as of the last trading date of 2006 at 5.9435% 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 5.89% at such time. Accordingly, pursuant to SEC rules, column (h) of the Summary Compensation Table for 2007 includes the portion of such interest that exceeded 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the time the interest rate was set. In addition, column (h) includes \$3,557 of interest that Mr. Rooney received and \$1,087 of interest Mr. Ellison received on deferred salary that exceeds the AFR. The other officers have not deferred any of their salaries. Interest on deferred salary is compounded monthly, computed at a rate equal to one-twelfth of the sum of the average twenty-year Treasury Bond rate plus 1.25 percentage points.

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

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

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

Column (i) includes the following: (1) if applicable, the total of perquisites and personal benefits if they equal or exceed \$10,000, summarized by type, or specified for any perquisite or personal benefit that exceeds the greater of \$25,000 or 10% of the total amount of perquisites and personal benefits for each officer, which are referred to as Specified Perquisites, in each case, valued on the basis of the aggregate incremental cost of such perquisite or personal benefit to U.S. Cellular, including any related tax gross up, and (2) contributions by U.S. Cellular for the benefit of the named executive officer under (a) the TDS tax-deferred savings plan which is referred to as the TDSP, (b) the TDS Pension Plan, and (c) the TDS supplemental executive retirement plan, which is referred to as the SERP, and (3) an Option Make-whole Payment as explained below:

	John E. Rooney	Steven T. Campbell	Jay M. Ellison	Michael S. Irizarry	Jeffrey J. Childs
Perquisites:					
Corporate automobile allowance and other personal travel and related expenses	\$10,480	N/A	N/A	N/A	N/A
Tax gross up relating to corporate automobile allowance	6,828	N/A	N/A	N/A	N/A
Total Perquisites if \$10,000 or more	\$17,308	N/A	N/A	N/A	N/A
Other Compensation					
TDSP	\$ 8,550	\$ 8,550	\$ 8,550	\$ —	\$ 8,550
Pension Plan	10,575	10,575	10,575	10,575	10,575
SERP	34,425	14,504	34,425	28,566	18,834
Option Make-whole Payment	—	—	7,784	41,148	—
Total	\$70,858	\$33,629	\$61,334	\$80,289	\$37,959

Only John E. Rooney had perquisites or personal benefits that equaled or exceeded \$10,000 in 2007. The corporate automobile allowance is valued at actual cost to U.S. Cellular, plus taxes reimbursed to the officer relating to such allowance.

The TDSP is a tax-qualified defined contribution retirement plan that does not discriminate in scope, terms or operation in favor of executive officers or directors of TDS and that is available generally to all employees. Employees contribute amounts to the plan and U.S. Cellular makes matching contributions in part.

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

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

In connection with amendments to certain stock option awards in 2006, U.S. Cellular agreed to pay \$7,784 to Mr. Ellison and \$41,148 to Mr. Irizarry 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. For further information, see the footnotes to the Outstanding Equity Awards at Year End table below for Mr. Ellison and the footnotes to the Option Exercises and Stock Vested table for Mr. Irizarry.

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

Footnotes:

- (1) John E. Rooney, as President and Chief Executive Officer, is included above as U.S. Cellular's principal executive officer. U.S. Cellular has an employment letter agreement with Mr. Rooney, a portion of which is executory. Under the executory portions of an offer letter which was accepted by John E. Rooney on March 28, 2000 relating to his employment as President and Chief Executive Officer, all unvested stock option and restricted stock awards granted on or prior to April 10, 2006 fully vested on October 10, 2006, and all stock option and restricted stock awards granted after April 10, 2006 will fully vest six months after the date they are granted.
- (2) Steven T. Campbell, U.S. Cellular's Executive Vice President—Finance, Chief Financial Officer and Treasurer since January 1, 2007, is included above as U.S. Cellular's principal financial officer. U.S. Cellular entered into a letter agreement with Mr. Campbell dated June 1, 2005, which was filed with the SEC as Exhibit 99.2 to U.S. Cellular's Current Report on Form 8-K dated June 1, 2005. This letter agreement related to Mr. Campbell's initial employment with U.S. Cellular and is no longer executory.
- (3) Jay M. Ellison, Executive Vice President and Chief Operating Officer, is included above as one of the three most highly compensated executive officers other than the principal executive officer or principal financial officer who was serving as an executive officer at the end of the last completed fiscal year. U.S. Cellular does not have any employment, severance or similar agreement with Mr. Ellison.
- (4) Michael S. Irizarry, Executive Vice President and Chief Technical Officer, is included above as one of the three most highly compensated executive officers other than the principal executive officer or principal financial officer who was serving as an executive officer at the end of the last completed fiscal year. U.S. Cellular does not have any employment, severance or similar agreement with Mr. Irizarry.
- (5) Jeffrey J. Childs, Senior Vice President—Human Resources and Chief Human Resources Officer, is included above as one of the three most highly compensated executive officers other than the principal executive officer or principal financial officer who was serving as an executive officer at the end of the last completed fiscal year. U.S. Cellular does not have any employment, severance or similar agreement with Mr. Childs.

Information Regarding Plan-Based Awards Table

The following table shows, as to the executive officers who are named in the Summary Compensation Table, certain information regarding plan-based awards in 2007.

Grants of Plan-Based Awards

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards (\$/Sh) (k)	Grant Date Fair Value of Stock and Option Awards (l)
		(c)	(d)	(e)	(f)	(g)	(h)				
John E. Rooney											
Awards in U.S. Cellular Common											
Shares(1)											
Phantom Stock Bonus Match											
	Units(2)	03/15/07						2,171			\$ 153,143
	Restricted Stock Units	04/02/07						5,027			\$ 371,194
	Subtotal Stock Awards							7,198			\$ 524,337
	Stock Options	04/02/07							121,000	\$73.84	\$2,013,137
Total Grant Date Fair Value											\$2,537,474
Steven T. Campbell											
Awards in U.S. Cellular Common											
Shares(1)											
	Restricted Stock Units	04/02/07						3,123			\$ 230,602
	Stock Options	04/02/07							17,200	\$73.84	\$ 286,165
Total Grant Date Fair Value											\$ 516,767
Jay M. Ellison											
Awards in U.S. Cellular Common											
Shares(1)											
	Restricted Stock Units	04/02/07						7,281			\$ 537,629
	Stock Options	04/02/07							40,100	\$73.84	\$ 667,164
Total Grant Date Fair Value											\$1,204,793
Michael S. Irizarry											
Awards in U.S. Cellular Common											
Shares(1)											
	Restricted Stock Units	04/02/07						5,233			\$ 386,405
	Stock Options	04/02/07							28,825	\$73.84	\$ 479,576
Total Grant Date Fair Value											\$ 865,981
Jeffrey J. Childs											
Awards in U.S. Cellular Common											
Shares(1)											
	Restricted Stock Units	04/02/07						3,123			\$ 230,602
	Stock Options	04/02/07							17,200	\$73.84	\$ 286,165
Total Grant Date Fair Value											\$ 516,767

Explanation of Columns:

- (a) Includes the persons identified in the Summary Compensation Table.
- (b) Represents the date on which the Stock Option Compensation Committee took action to grant the awards.
- (c)-(e) These columns as set forth in SEC rules are not applicable because the identified officers did not receive any non-equity incentive plan awards, as defined by SEC rules.
- (f)-(h) These columns as set forth in SEC rules are not applicable because the identified officers did not receive any equity incentive plan awards, as defined by SEC rules.

- (i) Includes the number of U.S. Cellular Common Shares underlying restricted stock units awarded pursuant to the U.S. Cellular 2005 Long-Term Incentive Plan. Such restricted stock units become vested on April 2, 2010, except that the restricted stock unit award became fully vested on October 2, 2007 with respect to Mr. Rooney.

Also includes the number of phantom stock bonus match units in U.S. Cellular Common Shares credited to such officer with respect to deferred bonus compensation. Mr. Rooney deferred part of his bonus earned in 2006 under the U.S. Cellular long-term incentive plan. The U.S. Cellular 2005 Long-Term Incentive Plan permits the above officers to defer all or a portion of their annual bonus to a deferred compensation account. Deferred compensation will be deemed invested in phantom U.S. Cellular Common Shares. The phantom stock units are not credited with dividends because U.S. Cellular does not currently pay dividends. The officer makes an election as to when to receive a distribution of the deferred compensation account. If an officer elects to defer all or a portion of his annual bonus, U.S. Cellular will allocate a match award to the employee's deferred compensation account in an amount equal to the sum of (i) 25% of the deferred bonus amount which is not in excess of one-half of the employee's gross bonus for the year and (ii) 33 $\frac{1}{3}$ % of the deferred bonus amount which is in excess of one-half of the employee's gross bonus for the year. The entire amount of the bonus is included in the Summary Compensation Table in column (d) under "Bonus," whether or not deferred. The FAS 123R expense of the matched stock units is reported in the Summary Compensation Table in column (e) under "Stock Awards." See "Information Regarding Nonqualified Deferred Compensation" below.

- (j) Represents the number of U.S. Cellular Common Shares underlying stock options awarded during the fiscal year pursuant to the U.S. Cellular 2005 Long-Term Incentive Plan. The U.S. Cellular stock options were granted at an exercise price of \$73.84 per share, which was the closing price of a U.S. Cellular Common Share on April 2, 2007. Such stock options become exercisable with respect to 25% of the shares underlying the stock option on April 2, 2008, 2009, 2010 and 2011, except that the stock options vested on October 2, 2007 with respect to Mr. Rooney, and are exercisable until April 2, 2017.
- (k) Represents the per-share exercise price of the stock options granted in column (j). Such exercise price is not less than the closing market price of the underlying security on the date of the grant.
- (l) Represents the grant date fair value of each equity award computed in accordance with FAS 123R or, in the case of any adjustment or amendment of the exercise or base price of stock options, SARs or similar option-like instruments previously awarded to a named executive officer, whether through amendment, cancellation or replacement grants, or any other means ("repriced"), or other material modification of such awards, represents the incremental fair value, computed as of the repricing or modification date in accordance with FAS 123R, with respect to that repriced or modified award. No stock options were repriced or materially modified in the last fiscal year with respect to the identified executive officers.

Footnotes:

- (1) Pursuant to the U.S. Cellular 2005 Long-Term Incentive Plan, on April 2, 2007, such executive officer was granted restricted stock units and stock options to purchase U.S. Cellular Common Shares as indicated above. The FAS 123R expense of the restricted stock unit awards is reported in the Summary Compensation Table in column (e) and the FAS 123R expense of the stock option awards is reported in the Summary Compensation Table in column (f).
- (2) Includes the number of phantom stock units in U.S. Cellular Common Shares credited to such officer with respect to company match units related to deferred bonus compensation. Only Mr. Rooney deferred his bonus earned in 2007 (based upon 2006 performance). John E. Rooney participates in the U.S. Cellular 2005 Long-Term Incentive Plan. This plan permits officers to defer all or a portion of their annual bonus to a deferred compensation account. The FAS 123R expense of the company match stock units is reported in the Summary Compensation Table in column (e) under "Stock Awards." U.S. Cellular does not currently pay dividends. Does not include the amount of the bonus earned that was invested in phantom stock because this is reported in the Summary Compensation Table in column (d) under "Bonus" whether or not deferred and deemed invested in phantom stock, rather than in column (e) as "Stock Awards". John E. Rooney deferred \$525,000, representing 100% of the bonus earned by him in 2007, and was credited with 7,441 shares of phantom stock on March 15, 2007.

Information Regarding Outstanding Equity Awards at Year End Table

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

Outstanding Equity Awards at Fiscal Year-End

Name (a)	Option Awards					Stock Awards			
	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:									
2005 Options(3) . . .	104,575			\$45.63	3/31/15				
2004 Options(4) . . .	92,000			\$38.65	3/31/14				
2003 Options(5) . . .	105,250			\$24.47	4/21/13				
2002 Options(6) . . .	16,500			\$41.00	3/31/12				
Stock Awards:									
Bonus Match in 2007(9)						1,447	\$ 121,693		
Bonus Match in 2006(9)						514	\$ 43,227		
Total	<u>318,325</u>	<u>—</u>				<u>1,961</u>	<u>\$ 164,920</u>		
Steven T. Campbell									
Options:									
2007 Options(1) . . .		17,200		\$73.84	4/2/17				
2006 Options(2) . . .		5,682		\$59.43	4/3/16				
2005 Options(3) . . .		2,563		\$47.76	6/1/15				
Stock Awards:									
2007 Restricted Stock Units(10) . .						3,123	\$ 262,644		
2006 Restricted Stock Units(11) . .						590	\$ 49,619		
Total	<u>—</u>	<u>25,445</u>				<u>3,713</u>	<u>\$ 312,263</u>		
Jay M. Ellison									
Options:									
2007 Options(1) . . .		40,100		\$73.84	4/2/17				
2006 Options(2) . . .		27,957		\$59.43	4/3/16				
2005 Options(3) . . .		17,200		\$45.63	3/31/15				
2004 Options(4) . . .		8,807		\$38.65	3/31/14				
Amended Initial Options(7)	4,613			\$75.00	9/1/10				
Stock Awards:									
2007 Restricted Stock Units(10) . .						7,281	\$ 612,332		
2006 Restricted Stock Units(11) . .						3,873	\$ 325,719		
2005 Restricted Stock Units(12) . .						13,897	\$1,168,738		
Total	<u>4,613</u>	<u>94,064</u>				<u>25,051</u>	<u>\$2,106,789</u>		

Name (a)	Option Awards					Stock Awards				
	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:										
2007 Options(1) . . .		28,825		\$73.84	4/2/17					
2006 Options(2) . . .		17,738		\$59.43	4/3/16					
2005 Options(3) . . .		10,888		\$45.63	3/31/15					
2004 Options(4) . . .		5,682		\$38.65	3/31/14					
Stock Awards:										
2007 Restricted Stock Units(10) . .						5,233	\$ 440,095			
2006 Restricted Stock Units(11) . .						2,458	\$ 206,718			
2005 Restricted Stock Units(12) . .						8,798	\$ 739,912			
Total	—	63,133				16,489	\$1,386,725			
Jeffrey J. Childs										
Options:										
2007 Options(1) . . .		17,200		\$73.84	4/2/17					
2006 Options(2) . . .	5,225	15,675		\$59.43	4/3/16					
2005 Options(3) . . .	5,125	9,625		\$45.63	3/31/15					
2004 Initial Options(8)		6,425		\$43.20	2/17/14					
Stock Awards:										
2007 Restricted Stock Units(10) . .						3,123	\$ 262,644			
2006 Restricted Stock Units(11) . .						2,172	\$ 182,665			
2005 Restricted Stock Units(12) . .						7,776	\$ 653,962			
Total	10,350	48,925				13,071	\$1,099,271			

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, 2007. 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, 2007. 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, 2007.
- (h) Represents the aggregate market value of shares underlying stock awards that have not vested as of December 31, 2007, calculated using the closing price of U.S. Cellular Common Shares of \$84.10 on December 31, 2007, the last trading day of 2007.

- (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. However, due to the delay in SEC filings resulting from the restatement discussed above, U.S. Cellular suspended the exercise of stock options between March 17 and October 10, 2006. As a result, the stock options that were scheduled to become exercisable on March 31, 2006 did not become exercisable until October 10, 2006.

- (1) The 2007 Options were scheduled to become exercisable in annual increments of 25% on April 2 of each year beginning in 2008 and ending in 2011 (except that all stock options became fully vested on October 2, 2007 with respect to Mr. Rooney), and are exercisable until April 2, 2017 at an exercise price of \$73.84.
- (2) The 2006 Options were scheduled to become exercisable in annual increments of 25% on April 3 of each year beginning in 2007 and ending in 2010 (except that all stock options became fully vested on October 10, 2006 with respect to Mr. Rooney), and are exercisable until April 3, 2016 at an exercise price of \$59.43.
- (3) The 2005 Options were scheduled to become exercisable in annual increments of 25% on March 31 of each year beginning in 2006 and ending in 2009 (except that all stock options became fully vested on October 10, 2006 with respect to Mr. Rooney), and are exercisable until March 31, 2015 at an exercise price of \$45.63, except that the 2005 Options granted to Mr. Campbell were scheduled to become 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.
- (4) The 2004 Options were scheduled to become exercisable in annual increments of 25% on March 31 of each year beginning in 2005 and ending in 2008 (except that all stock options became fully vested on October 10, 2006 with respect to Mr. Rooney), and are exercisable until March 31, 2014 at an exercise price of \$38.65.
- (5) The 2003 Options were scheduled to become exercisable in annual increments of 25% on March 31 of each year beginning in 2004 and ending in 2007 (except that all stock options became fully vested on October 10, 2006 with respect to Mr. Rooney), and are exercisable until April 21, 2013 at an exercise price of \$24.47 for Mr. Rooney, and are exercisable until March 31, 2013 at an exercise price of \$23.61 for the other executive officers.
- (6) The 2002 Options were scheduled to become exercisable in annual increments of 25% on March 31 of each year beginning in 2003 and ending in 2006, and are exercisable until March 31, 2012 at an exercise price of \$41.00.
- (7) The Amended Initial Options were originally granted on September 1, 2000 and were scheduled to become 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 were exercisable until September 1, 2010 at an exercise price of \$73.31. No portion of the stock option has been exercised. 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 Stock Option 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 immediately exercisable in full.
- (8) The 2004 Initial Options became exercisable with respect to 6,425 U.S. Cellular Common Shares on January 19, 2005 and with respect to an additional 6,425 Common Shares on each anniversary thereof, through and including January 19, 2008 for a total of 25,700 Common Shares, and are exercisable until February 17, 2014 at an exercise price of \$43.20.
- (9) Represents U.S. Cellular Common Shares underlying phantom stock bonus match units credited to such officer with respect to deferred bonus compensation. One-third of the U.S. Cellular phantom stock bonus 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 such employee is an employee of U.S. Cellular or an affiliate on such date.
- (10) Such restricted stock units become vested on April 2, 2010.
- (11) Such restricted stock units become vested on April 3, 2009.
- (12) Such restricted stock units become vested on March 31, 2008.

Option Exercises and Stock Vested

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (b)	Value Realized Upon Exercise (\$) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting (\$) (e)
John E. Rooney(1)				
Options Exercises (Date of Exercise):(4)(5)(6)				
2000 CEO Initial Options (5/14/07)	55,000	\$ 226,050		
2006 Options (6/18/07)	24,543	\$ 773,596		
2006 Options (7/16/07)	23,556	\$1,016,677		
2006 Options (8/16/07)	31,620	\$ 857,850		
2006 Options (9/17/07)	25,912	\$ 953,562		
2007 Options (10/2/07)	121,000	\$3,407,360		
2006 Options (10/16/07)	26,015	\$ 951,369		
2001 CEO Options (11/16/07)	20,000	\$ 472,000		
2005 Options (11/16/07)	5,374	\$ 200,826		
2006 Options (11/16/07)	6,354	\$ 149,764		
2005 Options (12/17/07)	21,051	\$ 854,039		
Stock Awards Vested:				
2007 Restricted Stock Units(1)			5,027	\$512,754
2007 Bonus Match Units(3)			723	\$ 60,804
2006 Bonus Match Units(3)			514	\$ 43,227
2005 Bonus Match Units(3)			1,213	\$102,013
Total	<u>360,425</u>	<u>\$9,863,093</u>	<u>7,477</u>	<u>\$718,798</u>
Steven T. Campbell				
Options Exercises (Date of Exercise):(5)(6)				
2005 Options (5/25/07)	1,281	\$ 36,931		
2005 Options (6/1/07)	1,281	\$ 44,527		
2006 Options (6/12/07)	1,893	\$ 55,503		
Stock Awards Vested:				
Total	<u>4,455</u>	<u>\$ 136,961</u>	<u>—</u>	<u>—</u>
Jay M. Ellison				
Options Exercises (Date of Exercise):(5)(6)				
2003 Options (5/17/07)	33,138	\$1,677,446		
2004 Options (5/17/07)	17,612	\$ 626,635		
2001 Options (6/14/07)	16,600	\$ 420,146		
2002 Options (6/14/07)	6,557	\$ 317,818		
2005 Options (6/14/07)	17,200	\$ 754,048		
2006 Options (6/14/07)	9,318	\$ 279,913		
Stock Awards Vested:				
2004 Restricted Stock Units(2)			6,551	\$490,670
Total	<u>100,425</u>	<u>\$4,076,006</u>	<u>6,551</u>	<u>\$490,670</u>
Michael S. Irizarry				
Options Exercises (Date of Exercise):(5)(6)				
Amended Initial Options (5/16/07)	10,800	\$ 365,040		
2002 Options (5/16/07)	5,288	\$ 178,734		
2003 Options (5/16/07)	20,863	\$1,067,977		
2004 Options (5/16/07)	11,362	\$ 410,736		
2005 Options (5/16/07)	10,887	\$ 317,574		
2006 Options (5/16/07)	5,912	\$ 90,867		
Stock Awards Vested:				
2004 Restricted Stock Units(2)			4,225	\$316,453
Total	<u>65,112</u>	<u>\$2,430,928</u>	<u>4,225</u>	<u>\$316,453</u>
Jeffrey J. Childs				
Options Exercises (Date of Exercise):(5)(6)				
2004 Initial Options (5/15/07)	10,000	\$ 307,500		
2004 Initial Options (5/31/07)	9,275	\$ 335,477		
2005 Options (8/27/07)	4,500	\$ 241,110		
Stock Awards Vested:				
2004 Restricted Stock Units(2)			3,798	\$284,470
Total	<u>23,775</u>	<u>\$ 884,087</u>	<u>3,798</u>	<u>\$284,470</u>

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 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 and bonus plan company-match phantom stock units.
- (e) Represents the aggregate dollar value realized upon vesting of stock, calculated by multiplying the number of shares of stock or 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 in 2007 vested on October 2, 2007. 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 \$102.00 on October 2, 2007. The stock price used to calculate the value realized on vesting of the bonus stock was the closing price of U.S. Cellular Common Shares of \$84.10 on December 31, 2007, the last trading day of 2007.
- (2) Such restricted stock units were scheduled to become vested on March 31, 2007. The closing price of U.S. Cellular Common Shares on March 30, 2007, the last trading day prior to March 31, 2007, was \$73.40. However, due to the delay in SEC filings resulting from the restatement discussed above, U.S. Cellular suspended the issuance of shares upon the vesting of restricted stock between March 17 and April 23, 2007. As a result, the restricted stock that was scheduled to become vested on March 31, 2007 was not issued until after April 23, 2007. The stock price used to calculate the value realized on vesting was the closing price of U.S. Cellular Common Shares of \$74.90 on April 23, 2007.
- (3) Pursuant to U.S. Cellular's 2005 Long-Term Incentive Plan, the bonus plan company-match phantom stock 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 such employee is an employee of U.S. Cellular or an affiliate on such date. The stock price used for U.S. Cellular shares was the closing price of U.S. Cellular Common Shares of \$84.10 on December 31, 2007, the last trading day in 2007. See "Information Regarding Nonqualified Deferred Compensation" below.
- (4) All stock option exercises by John E. Rooney were made pursuant to a plan under SEC Rule 10b5-1, except the exercise of the 2000 CEO Initial Options on May 14, 2007.
- (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 that continued to be held by the named executive officers at December 31, 2007. In addition, the following is a description of stock options that had been fully exercised as of December 31, 2007 by the name executive officers:

The 2001 Options were scheduled to become exercisable in annual increments of 20% on March 31 of each year beginning in 2002 and ending in 2006, and are exercisable until May 8, 2011 at an exercise price of \$64.16.

The 2001 CEO Options were scheduled to become exercisable in annual increments of 20% on March 31 of each year beginning in 2002 and ending in 2006, and are exercisable until May 29, 2011 at an exercise price of \$59.40.

The 2000 CEO Initial Options became exercisable in annual increments of 20% on April 10 of each year beginning in 2001 and ending in 2005, and are exercisable until April 10, 2010 at an exercise price of \$69.19.

The 2000 Options became exercisable in annual increments of 20% on March 31 of each year beginning in 2001 and ending in 2005, and are exercisable until March 31, 2010 at an exercise price of \$71.00.

The Amended Initial Options for Mr. Irizarry were originally granted on February 18, 2002 and were scheduled to become exercisable in annual increments of 20% on February 18 of each year beginning in 2003 and ending in 2007, and were exercisable until February 18, 2012 at an exercise price of \$37.19. Options with respect to 16,200 shares were exercised prior to December 26, 2006. The unexercised portion of this 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 Stock Option Compensation Committee of \$41.00 on March 31, 2002. In connection therewith, U.S. Cellular agreed to pay \$41,148 to Mr. Irizarry, 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 10,800 shares is immediately exercisable with respect to 5,400 shares and became fully exercisable on February 18, 2007. Mr. Irizarry exercised the remainder of these stock options on May 16, 2007.

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 supplemental plan, as discussed above. The company contributions for each of the named executive officers under these plans is disclosed in column (i), "All

Other Compensation,” of the Summary Compensation Table. However, U.S. Cellular does not have any “defined benefit” pension plans or 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 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.

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)		\$ 34,425	\$ 10,837		\$ 227,598
Salary Deferral(2)	\$157,550		\$ 65,365		\$1,176,717
Bonus Deferral and Company Match(3)					
Bonus Deferral					
7,442 U.S. Cellular Common Shares	\$525,000				
Company Match in U.S. Cellular Common Shares					
723 shares—2007 Company Match		\$ 60,804			
514 shares—2006 Company Match		\$ 43,227			
1,213 shares—2005 Company Match		\$102,013			
Changes in value in 2007			\$915,436		
Ending Balance					
66,030 U.S. Cellular Common Shares					\$5,553,123
Aggregate Totals(4)	<u>\$682,550</u>	<u>\$240,469</u>	<u>\$991,638</u>	<u>—</u>	<u>\$6,957,438</u>
Steven T. Campbell(5)					
SERP(1)		\$ 14,504			\$ 14,504
	—	<u>\$ 14,504</u>	—	—	<u>\$ 14,504</u>
Jay M. Ellison					
SERP(1)		\$ 34,425	\$ 7,753		\$ 172,621
Salary Deferral(2)			\$ 19,620		\$ 327,194
Bonus Deferral and Company Match(3)					
Changes in value in 2007			\$ 43,591		
Ending Balance					
3,009 U.S. Cellular Common Shares					\$ 253,057
Aggregate Totals(4)	—	<u>\$ 34,425</u>	<u>\$ 70,964</u>	—	<u>\$ 752,872</u>
Michael S. Irizarry					
SERP(1)		\$ 28,565	\$ 3,855		\$ 97,278
Aggregate Totals(4)	—	<u>\$ 28,565</u>	<u>\$ 3,855</u>	—	<u>\$ 97,278</u>
Jeffrey J. Childs					
SERP(1)		\$ 18,834	\$ 895		\$ 34,786
Aggregate Totals(4)	—	<u>\$ 18,834</u>	<u>\$ 895</u>	—	<u>\$ 34,786</u>

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 2007 is included in column (c) of the Summary Compensation Table, whether or not deferred. Only John E. Rooney deferred his salary in 2007. 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 2007 is included in column (d) of the Summary Compensation Table, whether or not deferred. Only John E. Rooney deferred a portion of his bonus earned in 2007 (based upon 2006 performance). 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 2007 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 vested with respect to the officer. This does not agree with the amount included as stock awards in the column (e) of the Summary Compensation Table, which includes the dollar amount recognized for financial statement reporting purposes in accordance with FAS 123R rather than the value of the phantom shares at the time they are credited to the officer's account.
- (d) Represents 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 2007 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, includes the amount of interest credited to the deferred account for 2007, 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.
- (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 2007 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, 2007. With respect to any deferred salary, represents the actual dollar amount in the executive's account as of December 31, 2007. 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 \$84.10 on December 31, 2007, the last trading day of the year.

Footnotes:

- (1) Each of the identified officers participates in a supplemental executive retirement plan ("SERP"). This plan provides supplemental benefits under the TDS pension plan ("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 balances of the SERP. The interest rate for 2007 was set as of the last trading date of 2006 at 5.9435% 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 5.89% 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 is 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 for 2007 and/or prior years. The other officers have not deferred any of their salaries. 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 compensation account is credited with interest compounded monthly, computed at a rate equal to one-twelfth of the sum of the average twenty-year Treasury Bond rate plus 1.25 percentage points until the deferred compensation amount is paid to such person. As required by SEC rules, column (h) 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 is set.

Messrs. Rooney and Ellison elected to receive distributions of their deferred salary balances as a lump sum payment upon their separation from the company.
- (3) The amounts in column (b) represent deferrals of bonus earned in 2007. 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 vested with respect to the officer in the fiscal year. One-third of the phantom stock bonus 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. If the officer continues as an employee during the vesting period, he or she 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) 33⅓% 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 FAS 123R expense of the company match stock units is reported in the Summary Compensation Table in column (e) under "Stock Awards."

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

- (4) Information relating to amounts included in the above Summary Compensation Table for 2007 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 in 2006, which is the first year in which deferred compensation was reported pursuant to the above table. This is the first year that Steven T. Campbell is included in the Summary Compensation Table, so there are no prior amounts reported for him below.

	John E. Rooney	Steven T. Campbell	Jay M. Ellison	Michael S. Irizarry	Jeffrey J. Childs
SERP Company Contribution	\$ 33,626	\$ —	\$25,432	\$17,006	\$12,823
Salary Deferral	141,064	—	—	—	—
Salary Deferral Excess Interest	3,335	—	1,201	—	—
Bonus Deferral	300,000	—	—	—	—
Company Match	121,548	—	—	—	—
Total	<u>\$599,573</u>	<u>\$ —</u>	<u>\$26,633</u>	<u>\$17,006</u>	<u>\$12,823</u>

- (5) Steven T. Campbell did not have any deferred compensation balances as of December 31, 2006 and, accordingly, did not have any earnings thereon in 2007.

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.

The Company 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 stock awards upon certain events as discussed herein and as set forth in the Table of Potential Payments upon Termination or Change in Control. The acceleration 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 awards as a general rule for other non-qualified termination events. The Company 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 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. See for instance the employment agreement entered into with John E. Rooney 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 upon or provide incentives 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.

Arrangements with Specified Officers

U.S. Cellular does not have any agreements with any of the named executive officers providing for severance or other compensation or benefits upon termination or a change in control, provided that certain awards may accelerate upon termination or a change in control as discussed above under Compensation Disclosure and Analysis—Other Benefits and Plans Available to Identified Officers. U.S. Cellular has certain arrangements with John E. Rooney relating to acceleration of vesting of stock options and restricted stock units that are not related to termination or a change in control, as discussed in footnote (1) to the below table.

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, 2007, the last business day of 2007 and, if applicable, that the price per share of the registrant's securities is the closing market price as of December 31, 2007. All of John E. Rooney's awards granted prior to 2008 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 (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.

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 1,961 U.S. Cellular Common Shares			\$164,920	—	\$ 164,920
Aggregate Totals	—	—	\$164,920	—	\$ 164,920
Steven T. Campbell					
Stock Options for 25,445 U.S. Cellular Common Shares(2)	\$ 409,786				\$ 409,786
Restricted Stock Units for 3,713 U.S. Cellular Common Shares		\$ 312,263		—	\$ 312,263
Aggregate Totals	\$ 409,786	\$ 312,263	—	—	\$ 722,049
Jay M. Ellison					
Stock Options for 94,064 Common Shares(2)	\$2,163,087				\$2,163,087
Restricted Stock Units for 25,051 U.S. Cellular Common Shares		\$2,106,789		—	\$2,106,789
Aggregate Totals	\$2,163,087	\$2,106,789	—	—	\$4,269,876
Michael S. Irizarry					
Stock Options for 63,133 Common Shares(2)	\$1,410,451				\$1,410,451
Restricted Stock Units for 16,489 U.S. Cellular Common Shares		\$1,386,725		—	\$1,386,725
Aggregate Totals	\$1,410,451	\$1,386,725	—	—	\$2,797,176
Jeffrey J. Childs					
Stock Options for 48,925 Common Shares(2)	\$1,196,232				\$1,196,232
Restricted Stock Units for 13,071 U.S. Cellular Common Shares		\$1,099,271		—	\$1,099,271
Aggregate Totals	\$1,196,232	\$1,099,271	—	—	\$2,295,503

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, 2007 and that the price per share of the registrant's securities is the closing market price as of December 31, 2007, the last trading day in 2007. The stock price used for U.S. Cellular shares was the closing price of U.S. Cellular Common Shares of \$84.10 on December 31, 2007. 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, 2007 and that the price per share of the registrant's securities is the closing market price as of December 31, 2007, the last trading day in 2007. The stock price used for U.S. Cellular shares was the closing price of U.S. Cellular Common Shares of \$84.10 on December 31, 2007.

- (d) Represents the maximum potential value of accelerated bonus match units assuming that a Triggering Event took place on December 31, 2007 and that the price per share of the registrant's securities is the closing market price as of December 31, 2007, the last trading day in 2007. The stock price used for U.S. Cellular shares was the closing price of U.S. Cellular Common Shares of \$84.10 on December 31, 2007.
- (e) There were no other potential payments upon a termination or change in control as of December 31, 2007.
- (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, 2007.

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 the registrant and that are available generally to all employees.

Footnotes:

- (1) U.S. Cellular has certain arrangements with John E. Rooney relating to acceleration 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. However, the acceleration of such awards granted on or prior to April 10, 2006 already occurred as of October 10, 2006, and awards granted after April 10, 2006 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 of Change in Control, 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:

Option (Per Share Exercise Price of Options)	Number of Shares Underlying Specified Awards that are Unvested at 12/31/07	Value at 12/31/07 based on \$84.10 per share	Less Aggregate Exercise Price	Difference (if Positive)
Steven T. Campbell(2)				
2007 Options (\$73.84)	17,200	\$1,446,520	\$1,270,048	\$ 176,472
2006 Options (\$59.43)	5,682	\$ 477,856	\$ 337,681	\$ 140,175
2005 Options (\$47.76)	2,563	\$ 215,548	\$ 122,409	\$ 93,139
Total	25,445			\$ 409,786
Jay M. Ellison				
2007 Options (\$73.84)	40,100	\$3,372,410	\$2,960,984	\$ 411,426
2006 Options (\$59.43)	27,957	\$2,351,184	\$1,661,485	\$ 689,699
2005 Options (\$45.63)	17,200	\$1,446,520	\$ 784,836	\$ 661,684
2004 Options (\$38.65)	8,807	\$ 740,669	\$ 340,391	\$ 400,278
Total	94,064			\$2,163,087
Michael S. Irizarry				
2007 Options (\$73.84)	28,825	\$2,424,183	\$2,128,438	\$ 295,745
2006 Options (\$59.43)	17,738	\$1,491,766	\$1,054,169	\$ 437,597
2005 Options (\$45.63)	10,888	\$ 915,681	\$ 496,819	\$ 418,862
2004 Options (\$38.65)	5,682	\$ 477,856	\$ 219,609	\$ 258,247
Total	63,133			\$1,410,451
Jeffrey J. Childs				
2007 Options (\$73.84)	17,200	\$1,446,520	\$1,270,048	\$ 176,472
2006 Options (\$59.43)	15,675	\$1,318,268	\$ 931,565	\$ 386,703
2005 Options (\$45.63)	9,625	\$ 809,463	\$ 439,189	\$ 370,274
2004 Initial Options (\$43.20)	6,425	\$ 540,343	\$ 277,560	\$ 262,783
Total	48,925			\$1,196,232

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.

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)
Walter C.D. Carlson	\$ 48,085	\$23,656	—	—	—	—	\$ 71,741
J. Samuel Crowley	\$134,250	—	—	—	—	—	\$134,250
Ronald E. Daly	\$ 62,018	\$25,202	—	—	—	—	\$ 87,220
Paul-Henri Denuit	\$128,500	—	—	—	—	—	\$128,500
Harry J. Harczak, Jr.	\$104,000	—	—	—	—	—	\$104,000

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 for 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. A portion of their compensation expense incurred by TDS is allocated to U.S. Cellular by TDS, along with the allocation of other compensation expense and other expenses of TDS. This allocation by TDS to U.S. Cellular is done in the form of a single management fee pursuant to the Intercompany Agreement discussed below under "Intercompany Agreement." There is no identification or quantification of the compensation of such persons to U.S. Cellular, or of any other allocated expense in this management fee. The management fee is recorded as a single expense by U.S. Cellular. U.S. Cellular does not obtain details of the components that make up this fee and does not segregate this fee or allocate any part of the management fee to other accounts such as compensation expense. Accordingly, the compensation expenses incurred by TDS with respect to such persons are not reported in the above table. However, for purposes of disclosure, approximately 76% of LeRoy T. Carlson, Jr.'s compensation expense in 2007, approximately 77% of Kenneth R. Meyers' compensation expense in 2007 and approximately 76% of LeRoy T. Carlson's compensation expense in 2007 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 2008 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) Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R. 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, 2007	Aggregate Number of U.S. Cellular Common Shares underlying Stock Awards Granted in 2007	Aggregate Grant Date Fair Value of Stock Awards in 2007
Walter C.D. Carlson	—	321	\$23,656
J. Samuel Crowley	—	—	—
Ronald E. Daly	—	342	\$25,202
Paul-Henri Denuit	—	—	—
Harry J. Harczak, Jr.	—	—	—

Shares due with respect to stock awards for retainers or meeting fees are issued promptly after the date upon which the awards become effective and, accordingly, there are no awards outstanding at the end of the fiscal year.

- (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).

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 or TDS Telecom. The purpose of the Non-Employee Directors' Plan is to provide reasonable compensation to non-employee directors in connection with their services to U.S. Cellular in order to induce qualified persons to become and serve as non-employee members of our board of directors. This plan was amended by the U.S. Cellular board of directors on May 31, 2007 and August 29, 2007, subject to shareholder approval, to increase the fees paid to directors, as discussed above under Proposal 2.

Prior to the amendment, the Non-Employee Directors' Plan provided that each non-employee director will receive an annual director's fee of \$44,000 payable annually. The plan also provided that each non-employee director serving on the Audit Committee will receive an annual director's fee of \$11,000, except for the chairperson, who will receive a fee of \$22,000. The plan also provided that each

non-employee director will receive a fee of \$5,000 for serving on the Stock Option Compensation Committee except for the chairperson, who will receive a fee of \$7,000. It also provided that each non-employee director will receive a fee of \$1,750 for board of directors, Audit Committee and Stock Option Compensation Committee meetings, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with travel to, and attendance at, each regularly scheduled or special meeting.

The Non-Employee Directors' Plan further provided that each non-employee director may elect to receive up to fifty percent (50%) of any or all of the above retainers or meeting fees for regularly scheduled meetings of the board (five per year), by the delivery of U.S. Cellular Common Shares having a fair market value as of the date of payment equal to the cash amount of the retainer or fee foregone.

Under the Non-Employee Directors' Plan prior to the amendment, for purposes of determining the number of Common Shares deliverable in connection with any of the foregoing elections, the fair market value of a Common Share was the average closing price of our Common Shares as reported in the American Stock Exchange Composite Transactions section of The Wall Street Journal for the twenty trading days before the annual meeting of shareholders or the date of the board meeting, as applicable.

The board of directors previously reserved 10,000 Common Shares for issuance pursuant to the Non-Employee Directors' Plan prior to the amendment. In connection with the amendment of the plan, the board of directors reserved an additional 50,000 Common Shares for the plan.

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. U.S. Cellular also reimburses directors for the costs of attending director education programs.

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 for executive officers of U.S. Cellular. 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 compensation for executive officers is approved by our Stock Option Compensation Committee, which currently consists of Paul-Henri Denuit, J. Samuel Crowley and Ronald E. Daly. Our Stock Option Compensation Committee is comprised of members of our board of directors who are independent, as discussed above. None of such persons was, during 2007, 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." LeRoy T. Carlson, LeRoy T. Carlson, Jr., Walter C.D. Carlson and Kenneth R. Meyers, directors of U.S. Cellular, are also directors of TDS. See "Election of Directors."

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.

Other Relationships and Related Transactions

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, 2007, 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 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 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.

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 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 \$192.6 million to TDS for federal income taxes in 2007.

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 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 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 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 paid a net amount of \$11.2 million to TDS for such taxes in 2007.

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 $\frac{1}{4}\%$, 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 ¼%, 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 \$105.6 million in 2007. 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 2007.

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 \$16.2 million in 2007.

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 its securities 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 \$7.5 million in 2007.

Employee Benefit Plans Agreement

Under an employee benefit plans agreement, our employees participate in the TDS tax-deferred savings plan. We reimburse TDS for the costs associated with such participation. In addition, we have agreed to reimburse TDS for certain costs incurred by TDS in connection with the issuance of stock under the TDS employee stock purchase plans to our employees. Payments made by U.S. Cellular to TDS under the Employee Benefit Plans Agreement totaled \$0.7 million in 2007.

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 a 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 \$6.6 million in 2007, \$6.9 million in 2006 and \$4.7 million in 2005.

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

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2007 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)	1,855,347	\$51.65	2,261,046
Equity compensation plans not approved by security holders(2)	—	—	3,139
TOTAL	1,855,347	\$51.65	2,264,185

Explanation of Columns:

- (a) Represents the number of securities to be issued upon the exercise of outstanding options, 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 any 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, 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	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)	Total
2003 Employee Stock Purchase Plan	—	96,900	96,900
2005 Long-Term Incentive Plan	1,855,347	2,164,146	4,019,493
TOTAL	1,855,347	2,261,046	4,116,393

See Note 19—Stock-Based Compensation, in the notes to the consolidated financial statements included in our 2007 Annual Report to Shareholders for certain information about these plans, which is incorporated by reference herein.

The 2003 Employee Stock Purchase Plan will expire on December 31, 2008. As noted above under Proposal 3, the 2009 Employee Stock Purchase Plan that will be effective January 1, 2009 is being submitted for approval by shareholders.

- (2) The only plan that has not been approved by U.S. Cellular shareholders is the Compensation Plan for Non-Employee Directors. The material terms of the Compensation Plan for Non-Employee Directors are set forth above under “Compensation of Directors” and are incorporated by reference herein.

As noted above under Proposal 2, the Compensation Plan for Non-Employee Directors has been amended and additional shares authorized, and this amended plan is being submitted for approval by shareholders.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

On February 29, 2008, there were outstanding 54,455,783 Common Shares, par value \$1.00 per share (excluding 612,436 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 87,461,660 shares of common stock. As of February 29, 2008 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 384,514,553 as of February 29, 2008.

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

The following table sets forth, as of February 29, 2008, 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	69.4%	43.2%	9.8%
	Series A Common Shares(3)	33,005,877	100.0%	37.7%	85.8%
	Total	70,788,703	N/A	80.9%	95.6%
Gabelli Funds, LLC(4) One Corporate Center Rye, New York 10580	Common Shares	3,378,012	6.2%	3.9%	*

* 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.
- (4) Based on the most recent Schedule 13D filed with the SEC. Includes shares held by the following affiliates: Gabelli Funds, LLC—527,300 Common Shares; GAMCO Investors, Inc.—2,837,712 Common Shares; MJG Associates, Inc.—10,000 Common Shares; Gabelli Foundation, Inc.—1,000 Common Shares; and Gabelli Securities, Inc.—2,000 Common Shares. In such Schedule 13D, such group reports sole or shared investment authority over 3,378,012 Common Shares and has reported sole voting power with respect to 3,098,912 Common Shares.

Security Ownership of U.S. Cellular by Management

Several of our officers and directors indirectly hold substantial ownership interests in U.S. Cellular by virtue of their ownership of the capital stock of TDS. See “Beneficial Ownership of TDS by Directors and Executive Officers of U.S. Cellular” below. In addition, 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 29, 2008 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)(9)	Common Shares	380,001	*	*	*
Walter C.D. Carlson	Common Shares	4,596	*	*	*
Kenneth R. Meyers(4)(9)	Common Shares	64,865	*	*	*
J. Samuel Crowley	Common Shares	—	—	—	—
Ronald E. Daly	Common Shares	342	*	*	*
Paul-Henri Denuit	Common Shares	—	—	—	—
Harry J. Harczak, Jr.	Common Shares	1,055	*	*	*
Steven T. Campbell(5)	Common Shares	6,421	*	*	*
Jay M. Ellison(6)	Common Shares	61,287	*	*	*
Michael S. Irizarry(7)	Common Shares	33,042	*	*	*
Jeffrey J. Childs(8)	Common Shares	38,890	*	*	*
All directors and executive officers as a group (13 persons)(9)	Common Shares	591,743	1.1%	*	*

* 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 are pledged as security, unless otherwise specified.

- (2) Represents voting power in matters other than the election of directors.
- (3) Includes 269,583 Common Shares subject to stock options which are currently exercisable or exercisable within 60 days and phantom stock with respect to 66,030 U.S. Cellular Common Shares.
- (4) Includes 25,013 Common Shares subject to stock options which are currently exercisable or exercisable within 60 days and restricted stock units with respect to 13,897 U.S. Cellular Common Shares which are subject to vesting within 60 days and phantom stock with respect to 1,062 shares. Also includes 1,000 Common Shares which are held by a trust for which Mr. Meyers is a trustee and 2,500 Common Shares held for the benefit of his children. Mr. Meyers disclaims beneficial ownership of such shares.
- (5) Includes 6,194 Common Shares subject to stock options which are currently exercisable or exercisable within 60 days.
- (6) Includes 41,364 Common Shares subject to stock options which are currently exercisable or exercisable within 60 days, restricted stock units with respect to 13,897 U.S. Cellular Common Shares which are subject to vesting within 60 days and phantom stock with respect to 3,009 U.S. Cellular Common Shares.
- (7) Includes 24,244 Common shares subject to stock options which are currently exercisable or exercisable within 60 days and restricted stock units with respect to 8,798 U.S. Cellular Common Shares which are subject to vesting within 60 days.
- (8) Includes 31,113 Common Shares subject to stock options which are currently exercisable or exercisable within 60 days and restricted stock units with respect to 7,776 U.S. Cellular Common Shares which are subject to vesting within 60 days.
- (9) Includes shares as to which voting and/or investment power is shared.

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 Shares") and Preferred Shares, \$.01 par value (the "TDS Preferred Shares"). As of February 29, 2008, 53,164,603 TDS Common Shares (excluding 3,900,427 TDS Common Shares held by TDS and a subsidiary of TDS), 57,767,762 TDS Special Common Shares (excluding 5,661,896 TDS Special Common Shares held by TDS and a subsidiary of TDS), 6,442,058 TDS Series A Shares (representing a total of 117,374,423 shares of common stock) and 8,603 TDS Preferred Shares were outstanding.

The TDS Series A Shares have ten votes per share, and TDS Common Shares and TDS Preferred Shares have one vote per share, for total voting power of 117,593,786 votes at February 29, 2008 with respect to matters other than the election of directors. The holders of TDS Series A 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. 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 the election of directors, the TDS Special Common Shares have no votes except as otherwise required by law. Accordingly, the voting power of TDS Special Common Shares was 57,767,762 with respect to the election of 25% of the directors of TDS, rounded up to the nearest whole number, plus one director.

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, and the holders of TDS Series A Shares and TDS Preferred Shares, voting as a group, are entitled to elect the remaining members of the board of directors of TDS.

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 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 29, 2008 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	6,060,131	10.5%	5.2%	—
	TDS Series A Shares	6,087,951	94.5%	5.2%	51.8%
LeRoy T. Carlson(4)(7)	TDS Common Shares	280,892	*	*	*
	TDS Special Common Shares	370,876	*	*	—
	TDS Series A Shares	53,221	*	*	*
LeRoy T. Carlson, Jr.(5)(7)	TDS Common Shares	485,745	*	*	*
	TDS Special Common Shares	904,882	1.6%	*	—
	TDS Series A Shares	17,956	*	*	*
Walter C.D. Carlson(6)	TDS Common Shares	5,844	*	*	*
	TDS Special Common Shares	8,678	*	*	—
	TDS Series A Shares	881	*	*	*
John E. Rooney	TDS Common Shares	2,470	*	*	*
	TDS Special Common Shares	1,315	*	*	—
Kenneth R. Meyers(8)	TDS Common Shares	2,744	*	*	*
	TDS Special Common Shares	55,151	*	*	—
J. Samuel Crowley	—	—	—	—	—
Ronald E. Daly	—	—	—	—	—
Paul-Henri Denuit	—	—	—	—	—
Harry J. Harczak, Jr.	—	—	—	—	—
Steven T. Campbell	—	—	—	—	—
Jay M. Ellison	TDS Common Shares	145	*	*	*
	TDS Special Common Shares	145	*	*	—
Michael S. Irizarry	—	—	—	—	—
Jeffrey J. Childs	—	—	—	—	—
All directors and executive officers as a group (13 persons)(7)(8)	TDS Common Shares	777,870	1.5%	*	*
	TDS Special Common Shares	7,401,178	12.8%	6.3%	—
	TDS Series A Shares	6,160,009	95.6%	5.2%	52.4%

* Less than 1%

- (1) The nature of beneficial ownership is sole voting and investment power, unless otherwise specified. None of the above shares are 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, created to facilitate long-standing relationships among the trust certificate holders. Under the terms of the voting trust, the trustees hold and vote the TDS Series A Common Shares and the TDS Special Common Shares of TDS held in the trust. If the voting trust were terminated, the following individuals, directly or indirectly, would each be deemed to own beneficially over 5% of the outstanding TDS Series A Common Shares: LeRoy T. Carlson, Jr., Catherine Mouly (wife of LeRoy T. Carlson, Jr.), Walter C.D. Carlson, Prudence E. Carlson, Richard Beckett (husband of Prudence E. Carlson), and Letitia G. Carlson, M.D.

- (4) Includes 9,057 TDS Special Common Shares and 53,221 TDS Series A Common Shares held by Mr. Carlson's wife and phantom stock with respect to 30,387 TDS Common Shares and 40,921 TDS Special Common Shares. Mr. Carlson disclaims beneficial ownership of such shares. Does not include 29,245 TDS Special Common Shares and 33,048 TDS Series A Common Shares held for the benefit of LeRoy T. Carlson or 188,183 TDS Special Common and 189,213 TDS Series A Common Shares held for the benefit of Mr. Carlson's wife (an aggregate of 217,428 TDS Special Common Shares, or 0.4% of class, or 222,261 TDS Series A Common Shares, or 3.5% of class) in the voting trust described in footnote (3). Beneficial ownership is disclaimed as to TDS Series A Common Shares held for the benefit of his wife.
- (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 and includes phantom stock with respect to 12,315 TDS Common Shares and 17,404 TDS Special Common Shares.
- Special Common Shares in Voting Trust.* Does not include 1,812,986 TDS Special Common Shares (3.1% of class) held in the voting trust described in footnote (3), of which 712,549 shares are held for the benefit of LeRoy T. Carlson, Jr. and 684,960 shares are held by a family partnership, of which Mr. Carlson is a general partner. Beneficial ownership is disclaimed with respect to an aggregate of 415,477 TDS Special Common Shares held for the benefit of his wife, his children and others in such voting trust.
- Series A Common Shares in Voting Trust.* Does not include 1,817,008 TDS Series A Common Shares (28.2% of class) held in the voting trust described in footnote (3), of which 174,962 shares are held for the benefit of LeRoy T. Carlson, Jr. and 1,549,039 shares are held by family partnerships, of which Mr. Carlson is a general partner. Beneficial ownership is disclaimed with respect to an aggregate of 93,007 TDS Series A Common Shares held for the benefit of his wife, his children and others in such voting trust.
- (6) *Special Common Shares in Voting Trust.* Does not include 1,894,201 TDS Special Common Shares (3.3% of class) held in the voting trust described in footnote (3), of which shares 1,094,057 are held for the benefit of Walter C.D. Carlson and 684,960 shares are held by a family partnership, of which Mr. Carlson is a general partner. Beneficial ownership is disclaimed with respect to an aggregate of 115,184 TDS Special Common Shares held for the benefit of his wife and children in such voting trust.
- Series A Common Shares in Voting Trust.* Does not include 1,899,326 TDS Series A Common Shares (29.5% of class) held in the voting trust described in footnote (3), of which shares 1,097,861 are held for the benefit of Walter C.D. Carlson and 686,346 shares are held by a family partnership, of which Mr. Carlson is a general partner. Beneficial ownership is disclaimed with respect to an aggregate of 115,119 TDS Series A Common Shares held for the benefit of his wife and children in such voting trust.
- (7) Includes the following number of TDS Common Shares and TDS Special Common Shares that may be purchased pursuant to stock options and/or stock appreciation rights which are currently exercisable or exercisable within 60 days: LeRoy T. Carlson, 198,151 TDS Common Shares and 295,394 TDS Special Common Shares; LeRoy T. Carlson, Jr., 458,366 TDS Common Shares and 851,352 TDS Special Common Shares; and Kenneth R. Meyers, 52,942 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 29, 2008, 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	3,710,280	7.0%	3.2%	3.2%
	TDS Special Common Shares	16,816,947	29.1%	14.3%	—
Capital Research Global Investors(4)(5)(7) 333 South Hope Street Los Angeles, CA 90071 .	TDS Common Shares	5,519,300	10.4%	4.7%	4.7%
	TDS Special Common Shares	5,232,900	9.1%	4.5%	—
Capital World Investors(6)(7) 333 South Hope Street Los Angeles, CA 90071 .	TDS Special Common Shares	4,068,100	7.0%	3.5%	—
Gabelli Funds, LLC(8)(9) One Corporate Center Rye, NY 10580	TDS Common Shares	3,763,623	7.1%	3.2%	3.2%
	TDS Special Common Shares	2,875,588	5.0%	2.4%	—
Barclays Global Investors, NA(10) 45 Freemont Street San Francisco, CA 94105	TDS Common Shares	5,134,446	9.7%	4.4%	4.4%
Wallace R. Weitz & Company(11) 1125 South 103rd Street, Suite 600 Omaha, NE 68124-6008	TDS Special Common Shares	3,329,584	5.8%	2.8%	—
State Street Bank and Trust Company(12) State Street Financial Center One Lincoln Street Boston, MA 02111	TDS Common Shares	2,737,649	5.1%	2.3%	2.3%

* Less than 1%

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

(2) Based on a Schedule 13D (Amendment No. 12) filed with the SEC, Southeastern Asset Management reports that it has sole power to vote or direct the vote of 1,874,680 TDS Common Shares and shared power to vote 1,530,800 TDS Common Shares. Southeastern Asset Management reports that it has sole power to dispose or to direct the disposition of 2,173,480 TDS Common Shares and

shared power to dispose or direct the disposition of 1,530,800 TDS Common Shares, and no power of disposition with respect to 6,000 TDS Common Shares.

- (3) Based on a Schedule 13D (Amendment No. 11) filed with the SEC, Southeastern Asset Management reports that it has sole power to vote or direct the vote of 8,980,610 TDS Special Common Shares and shared power to vote 5,666,200 TDS Special Common Shares. Southeastern Asset Management reports that it has sole power to dispose or to direct the disposition of 11,144,747 TDS Special Common Shares and shared power to dispose or direct the disposition of 5,666,200 TDS Special Common Shares, and no power of disposition with respect to 6,000 TDS Special Common Shares.
- (4) Based on the most recent Schedule 13G filed with the SEC. In such Schedule 13G, Capital Research Global Investors reports that it has sole power to vote or direct the vote and sole power to dispose or to direct the disposition of 5,519,300 TDS Common Shares.
- (5) Based on the most recent Schedule 13G filed with the SEC. In such Schedule 13G, Capital Research and Management Company reports that it has sole power to vote or direct the vote of, and sole power to dispose or to direct the disposition of 5,232,900 TDS Special Common Shares.
- (6) Based on the most recent Schedule 13G filed with the SEC. In such Schedule 13G, Capital World Investors reports that it has sole power to vote or direct the vote of 1,765,000 TDS Special Common Shares and reports sole power to dispose or direct the disposition of 4,068,100 TDS Special Common Shares.
- (7) Based on Schedule 13G filed with the SEC, Capital Research Global Investors and Capital World Investors are both divisions of Capital Research and Management Company
- (8) Based upon a Schedule 13D (Amendment No. 12) filed with the SEC. Includes Common Shares held by the following affiliates: GAMCO Asset Management, Inc.—2,264,823 TDS Common Shares; Gabelli Funds, LLC—1,490,300 TDS Common Shares; Gabelli Foundation, Inc.—1,000 TDS Common Shares; GGCP, Inc.—4,000 TDS Common Shares; Mario J. Gabelli—2,500 TDS Common Shares; and Gabelli Securities, Inc.—1,000 TDS Common Shares. In such Schedule 13D, such group reports sole or shared investment authority over 3,763,623 TDS Common Shares and has reported sole voting power with respect to 3,680,623 TDS Common Shares.
- (9) Based upon a Schedule 13D (Amendment No. 2) filed with the SEC. Includes Special Common Shares held by the following affiliates: GAMCO Investors, Inc.—2,000 TDS Special Common Shares; Gabelli Funds, LLC—1,125,300 TDS Special Common Shares; GAMCO Asset Management, Inc.—1,740,788 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.—1,000 TDS Special Common Shares. In such Schedule 13D, such group reports sole or shared investment authority over 2,875,588 TDS Common Shares and has reported sole voting power with respect to 2,805,088 TDS Common Shares.
- (10) Based on the most recent Schedule 13G filed with the SEC. Includes TDS Common Shares held by the following affiliates: Barclays Global Investors, NA—3,015,948 TDS Common Shares; Barclays Global Fund Advisors—1,861,067 TDS Common Shares; Barclays Global Investors, Ltd.—134,379 TDS Common Shares; and Barclays Global Investors Japan Limited—123,052 TDS Common Shares. In such Schedule 13G, such group reports sole investment authority over 4,595,617 TDS Common Shares and has reported sole power to dispose or direct the disposition of 5,134,446 TDS Common Shares.
- (11) Based on the most recent Schedule 13G (Amendment No. 2) filed with the SEC, Wallace R. Weitz & Company reports that it has sole or shared power to vote or direct the vote of 3,314,320 TDS Special Common Shares and sole or shared power to dispose or to direct the disposition of 3,329,584 TDS Special Common Shares.
- (12) Based on the most recent Schedule 13G filed with the SEC, State Street Bank and Trust Company reports that it has sole power to vote or direct the vote of, and sole power to dispose or direct the disposition of 2,737,649 TDS 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 2007 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 2009 ANNUAL MEETING

The 2009 annual meeting of shareholders is currently scheduled for May 19, 2009, and the proxy statement for such meeting is expected to be dated on or about April 15, 2009.

Pursuant to SEC rules, proposals of shareholders intended to be included in U.S. Cellular’s proxy statement and form of proxy relating to the 2009 annual meeting of shareholders must be received by U.S. Cellular at its principal executive offices not later than December 16, 2008.

In addition, pursuant to U.S. Cellular’s bylaws, proposals by shareholders intended to be presented at the 2009 annual meeting of shareholders (whether or not to be included in U.S. Cellular’s proxy statement and form of proxy relating to the 2009 annual meeting pursuant to SEC rules), must be received by U.S. Cellular at its principal executive offices not earlier than December 16, 2008 and not later than January 15, 2009 for consideration at the 2009 annual meeting of shareholders.

As permitted by the SEC rules, the proxy solicited by the board of directors for the 2009 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 has also retained Georgeson Inc. to assist in the solicitation of proxies for a fee of \$3,750 plus out-of-pocket expenses. 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 by such persons.

FINANCIAL INFORMATION

We will furnish you without charge a copy of our report on Form 10-K for the fiscal year ended December 31, 2007, including the financial statements and the schedules thereto, upon written or oral request of any shareholder as of the record date, 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.

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

A handwritten signature in black ink that reads "Kevin C. Gallagher". The signature is written in a cursive style with a large, looped "G" at the end.

KEVIN C. GALLAGHER
Vice President and Corporate Secretary

The following is a resolution of the U.S. Cellular Board of Directors adopted on February 22, 1995, as amended, which constitutes the Charter of the Stock Option Compensation Committee.

ESTABLISHMENT OF STOCK OPTION COMPENSATION COMMITTEE

RESOLVED, that in accordance with Article III, Section 10 of the By-Laws of the Company, a Stock Option Compensation Committee of the Board of Directors consisting of two or more members, be and it is hereby established; that the Stock Option Compensation Committee shall consist of two or more members of the Board who are "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended; that no member of the Stock Option Compensation Committee during the one year prior to serving as a member of such committee, or while serving as a member of such committee, shall have been, or shall be, granted or awarded shares of capital stock of the Company, or stock options to purchase shares of capital stock of the Company, or stock appreciation rights pursuant to any plan of the Company or any of its affiliates, except for a grant or award which would not result in such member ceasing to be a "disinterested person" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act");

FURTHER RESOLVED, that Messrs. J. Samuel Crowley, Ronald E. Daly and Paul-Henri Denuit shall serve as the members of such Stock Option Compensation Committee; that Paul-Henri Denuit is hereby appointed to serve as the Chairperson of such Stock Option Compensation Committee; and that such members and such Chairperson shall serve and that such committee shall exist at the pleasure of the Board of Directors of the Company;

FURTHER RESOLVED, that the Stock Option Compensation Committee shall:

- (i) consider, review and approve the long-term compensation of officers and key employees of the Company, involving the grant of stock options, stock appreciation rights and other long-term compensation or compensation based on performance under the Company's stock option or other long-term compensation or incentive plans; provided, that such committee may delegate such power and authority to the Chairman of the Company or any executive officer of the Company or as otherwise permitted by the applicable plan, except that the Stock Option Compensation Committee may not delegate its power and authority with respect to the long-term compensation of executive officers of the Company who are subject to the requirements of Section 16 of the Exchange Act or as otherwise provided in the applicable plan;
- (ii) consider, approve and recommend to the Board of Directors of the Company any new stock option or other long-term compensation or incentive plans and the amendment or termination of the Company's existing stock option or other long-term compensation or incentive plans; and
- (iii) perform such other duties as the Board of Directors shall from time to time assign to it;

FURTHER RESOLVED, that the Stock Option Compensation Committee shall have the authority of the Board with respect to the Company's stock option or other long-term compensation or incentive plans, unless such plan or resolutions of this Board expressly reserve authority for the administration of any such plan to the Board of Directors; provided that the Stock Option Compensation Committee shall not have the authority to adopt, amend or terminate any of such plans without the consent or ratification of the Board; and

FURTHER RESOLVED, that the Stock Option Compensation Committee shall have the full authority of the Board under section 10 of Article III of the Bylaws of the Company and to the extent otherwise permitted by law with respect to all actions which the Stock Option Compensation Committee takes consistent with the foregoing resolutions.

UNITED STATES CELLULAR CORPORATION
2009 EMPLOYEE STOCK PURCHASE PLAN

SECTION 1. ESTABLISHMENT; PURPOSE; SCOPE.

United States Cellular Corporation hereby establishes the United States Cellular Corporation 2009 Employee Stock Purchase Plan to encourage and facilitate the purchase of Common Shares of the Company by Employees of the Company and certain other participating Employers. The Plan is intended to provide a further incentive for such Employees to promote the best interests of the Controlled Group and an additional opportunity to participate in its economic progress. It is the intention of the Company to have the Plan qualify as an "employee stock purchase plan" within the meaning of section 423 of the Internal Revenue Code of 1986, as amended (the "Code"), and provisions of the Plan shall be construed in a manner consistent with the Code.

SECTION 2. DEFINITIONS; CONSTRUCTION.

As used in this Plan, as of any time of reference, and unless the context otherwise requires:

- (a) "*Affiliate*" means any trade or business entity which is a member of the same controlled group (as described in section 414(b) and (c) of the Code) with the Company, any organization that is a member of an affiliated service group (as described in section 414(m) of the Code) with the Company or such a trade or business, or any other entity required to be aggregated with the Company pursuant to final regulations under section 414(o) of the Code.
- (b) "*Benefits Representative*" means the Employee Benefits Department of TDS located in Middleton, Wisconsin, or such other person or persons designated by the Committee to assist the Committee with the administration of the Plan.
- (c) "*Board*" means the Board of Directors of the Company as from time to time constituted.
- (d) "*Common Shares*" means shares of common stock of the Company, par value \$1.00 per share.
- (e) "*Company*" means United States Cellular Corporation, a Delaware corporation, and any successor thereto.
- (f) "*Compensation*" means an employee's "Compensation" as defined in paragraph (11) of Article 2 of the Telephone and Data Systems, Inc. Tax-Deferred Savings Plan, as amended from time to time, determined without regard to the limitation on compensation which is taken into account under such plan pursuant to section 401(a)(17) of the Code.
- (g) "*Controlled Group*" means the Company, TDS and their Subsidiaries.
- (h) "*Effective Date*" means January 1, 2009.
- (i) "*Eligibility Date*" means the Effective Date and the first day of each subsequent calendar month.
- (j) "*Eligible Employee*" means any Employee, but excluding any individual who is a leased employee of an Employer (within the meaning of section 414(n) of the Code).
- (k) "*Employee*" means an individual whose relationship with an Employer is, under common law, that of an employee.
- (l) "*Employee Stock Purchase Account*" means the account established pursuant to Section 6(d) of the Plan to hold a Participant's payroll deduction contributions.
- (m) "*Employer*" means the Company and (i) any entity that is a member of the Controlled Group that adopts the Plan as of the Effective Date, with the prior approval of the Company; and (ii) each entity that is or subsequently becomes a member of the Controlled Group and adopts the Plan as of any later date, with the prior approval of the Company.

- (n) “*Fair Market Value*” means the closing price of a Common Share on the American Stock Exchange (or any successor thereto) for the date of determination, or if such date is not a trading day, the closing price of such share on the American Stock Exchange (or any successor thereto) on the next preceding trading day.
- (o) “*Nominee*” means the custodian designated by the Company for the Stock Accounts established hereunder.
- (p) “*Participant*” means any Eligible Employee of an Employer who meets the eligibility requirements of Section 5(a), and has elected to participate in the Plan as described in such Section. An individual shall cease to be a Participant as of the date he or she terminates employment with his or her Employer, for whatever reason; *provided, however*, that the transfer of employment from one Employer to another Employer shall not be considered a termination of employment hereunder.
- (q) “*Plan*” means the United States Cellular Corporation 2009 Employee Stock Purchase Plan herein set forth, and any amendment or supplement thereto.
- (r) “*Purchase Date*” means the last day of each calendar quarter.
- (s) “*Purchase Period*” means a calendar quarter period ending on a Purchase Date.
- (t) “*Purchase Price*” means, with respect to a Purchase Date, 85 percent of the Fair Market Value of a Common Share determined as of such date.
- (u) “*Subsidiary*” means an entity which is deemed to be a “subsidiary corporation” within the meaning of Section 424(f) of the Code.
- (v) “*TDS*” means Telephone and Data Systems, Inc., a Delaware corporation.
- (w) “*Termination Date*” means the earliest of (i) December 31, 2013, (ii) such earlier date on which the Board terminates the Plan or (iii) the Purchase Date on which all shares available for issuance under the Plan shall have been purchased by Participants under the Plan.

The masculine gender, when appearing in this Plan, shall be deemed to include the feminine gender unless the context clearly indicates to the contrary. The words “hereof,” “herein,” and “hereunder,” and other similar compounds of the word “here,” shall mean and refer to the entire Plan and not to any particular provision or section of this document.

SECTION 3. ADMINISTRATION.

This Plan shall be administered by the 2009 Employee Stock Purchase Plan Committee (hereinafter referred to as the “Committee”), the members of which shall be individuals selected by the Board. As of the Effective Date, the Committee shall be comprised of LeRoy T. Carlson, Jr., Kenneth R. Meyers and C. Theodore Herbert. Subject to the express provisions hereof, the Committee shall have complete authority to interpret this Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations necessary or advisable for the administration of this Plan. The Committee’s determinations on the matters referred to in this paragraph shall be conclusive. No member of the Committee shall be personally liable for any decision or determination made in good faith under the Plan.

SECTION 4. GRANT OF OPTION.

- (a) For each Purchase Period, each Eligible Employee after his or her Eligibility Date shall be granted an option on the Purchase Date (such Purchase Date also being referred to in the Plan as a “grant date”) to purchase a number of Common Shares, such number and Purchase Price to be determined in accordance with Section 7 and item (t) of Section 2, respectively.
- (b) Notwithstanding the foregoing, no Eligible Employee shall be granted any option for a Purchase Period if, immediately after the grant of such option, the Eligible Employee would own shares (including shares which may be purchased under the Plan) possessing 5% or more of the total

combined voting power or value of all classes of stock of the Company, TDS or any of their Subsidiaries actually issued and outstanding immediately after such grant. For purposes of the foregoing sentence, the rules of stock attribution set forth in section 424(d) of the Code shall apply in determining share ownership.

SECTION 5. *ELIGIBILITY AND PARTICIPATION.*

- (a) Any Eligible Employee of an Employer shall be eligible to participate in the Plan on and after the first Eligibility Date following such Eligible Employee's satisfaction of the eligibility service requirement, or, if later, on and after the first Eligibility Date following the date on which the Eligible Employee's Employer adopts the Plan. For purposes of this subsection, an Eligible Employee shall have satisfied the eligibility service requirement if he or she has completed at least three months of continuous service with an Employer. For the sole purpose of calculating length of service under the Plan, Employees shall be credited with service for an Employer, an Affiliate and any other member of the Controlled Group (even though such service may have been performed prior to the Company's acquisition of such member or prior to the time such Affiliate became an Affiliate). No eligibility provision hereof shall permit or deny participation in the Plan in a manner contrary to the applicable requirements of the Code and the regulations promulgated thereunder.
- (b) On and after the first Eligibility Date as of which an Eligible Employee is eligible to participate in the Plan as described in subsection (a) of this Section, such Eligible Employee may elect to become a Participant in the Plan by making an election to enroll herein, in the time and manner prescribed by the Committee. Such Eligible Employee's election shall specify his or her chosen rate of payroll deduction contributions described in Section 6, and shall authorize the Eligible Employee's Employer to withhold a portion of his or her Compensation in the amount of any such payroll deduction contributions. The Eligible Employee's election shall become effective as soon as administratively practicable after such election is received by the Benefits Representative or its designee.
- (c) If a Participant is transferred from one Employer to another Employer, such transfer shall not terminate the Participant's participation in the Plan. Such transferred Participant may continue to make payroll deduction contributions under the Plan provided such Participant takes such action as the Committee may require, if any, in the time and manner prescribed by the Committee. If a Participant is transferred from an Employer to an Affiliate that is not a participating Employer, the Participant's participation in the Plan shall cease and the entire balance of the Participant's Employee Stock Purchase Account shall be refunded to the Participant as soon as administratively practicable thereafter. If such Participant subsequently is transferred from such Affiliate to a participating Employer, such Participant can resume making payroll deduction contributions under the Plan provided such Participant takes such action as the Committee may require, if any, in the time and manner prescribed by the Committee.
- (d) If an individual terminates employment with all Employers so as to discontinue participation in the Plan, and such individual is subsequently reemployed by an Employer, such individual shall not be required again to satisfy the eligibility service requirement described in subsection (a) of this Section, but rather shall be eligible to recommence participation on and after the first Eligibility Date after his or her date of reemployment, in the time and manner prescribed by the Committee.

SECTION 6. *PARTICIPANT CONTRIBUTIONS.*

- (a) Upon enrollment in the Plan a Participant shall elect, in the manner described in Section 5(b), a rate of payroll deduction contributions in an amount equal to a whole percentage not less than 1% and not more than 15% of such Participant's Compensation for each payroll period, beginning as soon as administratively practicable following the Participant's Eligibility Date and election to enroll in the time and manner prescribed by the Committee.

- (b) A Participant shall have the right from time to time to increase or decrease his or her designated rate of payroll deductions under the Plan by making an election authorizing such increase or decrease, in the time and manner prescribed by the Committee. Such election shall specify a percentage rate of payroll deduction contributions not less than 0% and not more than 15%. A Participant also may elect to withdraw from the Plan for the remainder of a calendar year, as described in Section 8. A decrease of a payroll deduction election hereunder to 0% shall not be treated as a withdrawal from the Plan for this purpose. A Participant's election to change his or her rate of payroll deductions hereunder shall become effective as soon as administratively practicable after such election is received by the Benefits Representative or its designee.
- (c) A Participant's designated rate of payroll deductions as in effect on the last day of a Purchase Period shall continue in effect during the subsequent Purchase Period unless and until the Participant files a change in the rate of payroll deductions as described in subsection (b) of this Section, or elects to withdraw from participation for the Purchase Period as described in Section 8.
- (d) All payroll deductions in the possession of the Company shall be segregated from the general funds of the Company. The Committee shall cause to be established a separate Employee Stock Purchase Account on behalf of each Participant to which shall be credited his or her payroll deduction contributions made under the Plan. Such Employee Stock Purchase Accounts shall be solely for accounting purposes, and there shall be no segregation of assets among the separate Accounts. Such Accounts shall not be credited with interest or other investment earnings. Each Employee Stock Purchase Account shall be restricted to the uses provided herein until such time as the Company applies the amounts credited thereto to purchase Common Shares under the Plan on behalf of Participants.

SECTION 7. PURCHASE OF COMMON SHARES.

- (a) Subject to a Participant's right of withdrawal from the Plan for the remainder of a calendar year, as described in Section 8 hereof, the balance of each Participant's Employee Stock Purchase Account shall be applied on each Purchase Date to purchase Common Shares by dividing the balance of such account as of such date by the Purchase Price of a Common Share as of such date. A Participant's purchase of Common Shares shall be rounded to the nearest one-ten thousandth of a share (or such other fractional interest prescribed by the Committee). The Participant's Employee Stock Purchase Account shall be debited by the amounts applied to purchase such Common Shares, and the Participant's Stock Account shall be credited with such Common Shares.
- (b) Upon termination of employment for any reason, the Participant's participation in the Plan shall cease and the entire balance of the Participant's Employee Stock Purchase Account shall be refunded to the Participant as soon as administratively practicable thereafter.
- (c) Notwithstanding any provision of this Plan to the contrary, a Participant's right to purchase Common Shares during any calendar year shall be limited to the extent necessary so that the Participant's right to purchase Common Shares under this Plan and shares of stock under all other employee stock purchase plans maintained by members of the Controlled Group shall not accrue at a rate in excess of \$25,000 of the total of the Fair Market Value of Common Shares and the fair market value of shares of stock of other members of the Controlled Group (determined on the grant date) for any calendar year determined in accordance with section 423(b)(8) of the Code and regulations promulgated thereunder. Any portion of the balance of a Participant's Employee Stock Purchase Account in excess of the amount necessary to purchase shares on a Purchase Date in accordance with the foregoing limitation shall be refunded to the Participant as soon as administratively practicable thereafter.
- (d) Notwithstanding any provision of the Plan to the contrary, the maximum number of shares which shall be available for purchase under the Plan shall be 125,000 Common Shares, subject to adjustment as provided in Section 11. The Common Shares to be sold under this Plan may, at the election of the Company, be treasury shares, shares originally issued for such purpose or

shares purchased by the Company. In the event the amount of shares to be purchased on behalf of all Participants collectively exceeds the shares available for purchase under the Plan, the number of Common Shares to be purchased by each Participant under this Section shall be determined by multiplying the number of shares which the Participant elected to purchase on such Purchase Date by the following fraction (or by applying such other equitable adjustment on a uniform basis as may be determined by the Committee):

$$\frac{\text{Total number of shares available for purchase on Purchase Date}}{\text{Total number of shares elected to be purchased by all Participants on Purchase Date}}$$

Any portion of the balance of a Participant's Employee Stock Purchase Account that is not applied to purchase Common Shares on a Purchase Date as a result of the foregoing adjustment shall be refunded to the Participant as soon as administratively practicable thereafter.

SECTION 8. *PARTICIPANT'S RIGHT TO WITHDRAW.*

At any time during a Purchase Period, but in no event later than 15 days (or such shorter period prescribed by the Committee) prior to the Purchase Date for such Purchase Period, a Participant may elect to withdraw from participation in the Plan. A withdrawal election shall be made in the time and manner prescribed by the Committee. Upon a Participant's election to withdraw from the Plan pursuant to this Section, the amount credited to the Participant's Employee Stock Purchase Account shall be refunded to the Participant as soon as is administratively practicable, and such Participant's participation in the Plan shall be terminated for the remainder of the calendar year in which such withdrawal election is made. The Participant shall be eligible to recommence participation in the Plan on or after the first day of the following calendar year in the time and manner prescribed by the Committee.

SECTION 9. *SUSPENSION ON ACCOUNT OF EMPLOYEE'S HARDSHIP WITHDRAWAL.*

If a Participant makes a hardship withdrawal from the Telephone and Data Systems, Inc. Tax-Deferred Savings Plan or any other plan with a cash or deferred arrangement qualified under section 401(k) of the Code which plan is sponsored, or participated in, by any Employer, such Participant shall be suspended from making payroll deductions under this Plan for a period of six months from the date of such hardship withdrawal. The balance of such Participant's Employee Stock Purchase Account shall be applied to purchase Common Shares on the Purchase Date next occurring after the effective date of such hardship withdrawal, except to the extent the Participant withdraws from the Plan for the remainder of the calendar year, as described in Section 8, or discontinues participation in this Plan on account of the Participant's termination of employment. After the expiration of such six-month period, the Participant may resume active participation in the Plan by electing to resume making payroll deductions hereunder, in the time and manner prescribed by the Committee, unless the Participant has withdrawn from participation in the Plan as described in Section 8 for the remainder of the calendar year which contains the date of expiration of such six-month period.

SECTION 10. *STOCK ACCOUNT; ISSUANCE OF CERTIFICATES.*

- (a) A Stock Account shall be established on behalf of each Participant for whom shares are purchased under this Plan (or, if so designated by the Participant, on behalf of such Participant and one other person as such Participant may designate as joint tenants with right of survivorship).
- (b) As of each Purchase Date, the Common Shares purchased on a Participant's behalf (including the right to fractional shares) shall be credited to the Participant's Stock Account and shall be registered in the name of the Nominee. All rights accruing to an owner of record of such Common Shares, including dividend, voting and tendering rights, shall belong to the Participant for whom such Stock Account is established (including any joint tenant or, in the case of a deceased Participant, the Participant's estate).
- (c) The Nominee shall establish procedures pursuant to which a Participant (including any joint tenant or, in the case of a deceased Participant, the executor or administrator of the Participant's

estate) can elect that the shares credited to the Participant's Stock Account shall be registered in the name of such Participant, or in the names of such Participant and one other person as the Participant may designate as joint tenants with right of survivorship, as the case may be. Such a joint tenancy designation shall not apply to shares registered by the Participant's estate after the Participant's death. As soon as administratively practicable after such election, certificates representing such shares shall be issued to the Participant (including any joint tenant or, in the case of a deceased Participant, to the Participant's estate). The Nominee shall also establish procedures pursuant to which a Participant (or the executor or administrator of the Participant's estate) can receive a cash payment in lieu of any fractional shares credited to his or her Stock Account.

SECTION 11. CHANGES IN THE COMPANY'S CAPITAL STRUCTURE.

In the event of any conversion, stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of shares of the Company stock other than a regular cash dividend ("Corporate Event"), the Committee shall adjust appropriately and equitably (a) the number and class of shares or other securities that are reserved for sale under the Plan, (b) the number and class of shares or other securities that are subject to outstanding options, (c) the maximum number of shares that can be purchased by a Participant, and (d) the appropriate market value and other price determinations applicable to the options, such adjustments to be made so that the economic value of each Participant's options immediately after the Corporate Event have substantially the same economic value as such Participant's options immediately prior to the Corporate Event. All determinations by the Committee under this Section 11 shall be final, conclusive and binding.

SECTION 12. AMENDMENT OF THE PLAN.

The Board may at any time, and from time to time, amend the Plan in any respect; *provided, however,* that any amendment that changes the number of shares to be reserved under the Plan (other than as provided in Section 11), or that otherwise requires stockholder approval under applicable law, shall not be effective unless stockholder approval is obtained in the time and manner prescribed by law.

SECTION 13. TERMINATION OF THE PLAN.

While it is intended that the Plan remain in effect until the Termination Date, the Board may terminate the Plan at any time in its discretion. Upon termination of the Plan, the Committee shall terminate payroll deductions and shall apply the balance of each Participant's Employee Stock Purchase Account to purchase Common Shares as described in Section 7 as if such termination date were a Purchase Date under the Plan and were the last day of the Plan. Notwithstanding the foregoing, upon termination of the Plan, a Participant may elect, in the time and manner prescribed by the Committee, to withdraw from participation in the Plan. As soon as administratively practicable after the termination of the Plan, the Committee shall refund to the Participant any amount in his or her Employee Stock Purchase Account, if any, that has not been applied to purchase Common Shares as a result of the Participant's election to withdraw from the Plan or as a result of the application of any limitation hereunder.

Notwithstanding any provision in the Plan to the contrary, the Plan shall automatically terminate as of the Purchase Date on which all Common Shares available for purchase under the Plan shall have been purchased by Participants under the Plan.

SECTION 14. MISCELLANEOUS.

- (a) The Plan is subject to the approval of a majority of the votes cast on the matter by the stockholders of the Company within twelve months before or after its adoption by the Board.
- (b) The right to purchase Common Shares under this Plan shall not be transferable by any Participant other than by will or the laws of descent and distribution, and must be exercisable, during his or her lifetime, only by the Participant.

- (c) No Participant shall have rights or privileges of a stockholder of the Company with respect to shares purchasable under this Plan unless and until the Participant shall become the holder of record of one or more Common Shares.
- (d) The Company is not obligated to repurchase any Common Shares acquired under the Plan.
- (e) The sale and delivery of Common Shares under the Plan shall be in compliance with relevant statutes and regulations of governmental authorities, including state securities laws and regulations, and with the regulations of applicable stock exchanges.
- (f) This Plan and all determinations made hereunder and action taken pursuant hereto shall be governed by the laws of the State of Illinois and construed in accordance therewith.
- (g) Each Employer, by adopting the Plan, appoints the Company and the Board as its agents to exercise on its behalf all of the powers and authorities hereby conferred upon the Company and the Board by the terms of the Plan, including, but not by way of limitation, the power to amend and terminate the Plan. The authority of the Company and the Board to act as such agents shall continue for as long as necessary to carry out the purposes of the Plan.