UNITED STATES CELLULAR CORP
Form DEF 14A
April 05, 2005

QuickLinks -- Click here to rapidly navigate through this document

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

SCHEDULE 14A

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

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

United States Cellular Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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

April 5, 2005

Dear Fellow Shareholders:

You are cordially invited to attend our 2005 annual meeting on Tuesday, May 3, 2005, at 10:00 a.m., Chicago time, at the LaSalle Bank building, 135 South LaSalle Street, Chicago, Illinois, on the 43rd floor. At the meeting, we will report on the plans and accomplishments of United States Cellular Corporation.

The formal notice of the meeting, our board of directors' proxy statement and our 2004 annual report to shareholders are enclosed. At the 2005 annual meeting, shareholders are being asked to take the following actions:

1. elect three Class III directors;

2. consider and approve the Company's 2005 Long-Term Incentive Plan; and

3. 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 and **"FOR"** each of the other proposals.

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

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

Very truly yours,

LeRoy T. Carlson, Jr. Chairman	John E. Rooney President and Chief Executive Officer

Please help us avoid the expense of follow-up
proxy mailings to shareholders by
signing and returning the enclosed proxy card promptly

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
AND
PROXY STATEMENT

TO THE SHAREHOLDERS OF

UNITED STATES CELLULAR CORPORATION

We will hold the 2005 annual meeting of the shareholders of United States Cellular Corporation (American Stock Exchange: "USM"), a Delaware corporation, at the LaSalle Bank building, 135 South LaSalle Street, Chicago, on the 43rd floor, on Tuesday, May 3, 2005, at 10:00 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 our 2005 Long -Term Incentive Plan. Your board of directors recommends that you vote FOR this proposal.

3. To consider and vote upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for the year ended December 31, 2005. Your board of directors recommends that you vote FOR this proposal.

4. 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 5, 2005.

We have fixed the close of business on March 24, 2005 as 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.

VOTING INFORMATION

What is the record date for the meeting?

The close of business on March 24, 2005 is the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

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 24, 2005, U.S. Cellular had outstanding 53,494,598 Common Shares, par value $1.00 per share (excluding 1,551,087 shares held by U.S. Cellular and 22,534 shares held by a subsidiary of U.S. Cellular), and 33,005,877 Series A Common Shares, par value $1.00 per share. As of March 24, 2005, 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 Symbol "TDS"), is the sole holder of Series A Common Shares and holds 37,782,826 Common Shares, representing approximately 70.6% 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 95.9% 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	7	2
Common Shares	53,494,598	1	53,494,598	3	1
Total				10	3

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	86.1%
Common Shares	53,494,598	1	53,494,598	13.9%
Total			383,553,368	100%

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 Proposals 2 and 3?

With respect to the proposals to approve the 2005 Long-Term Incentive Plan and to ratify the selection of PricewaterhouseCoopers as our independent registered public accountants for 2005, shareholders may:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on the proposal.

TDS has advised U.S. Cellular that it intends to vote FOR the approval of the 2005 Long-Term Incentive Plan and 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 2005 Long-Term Incentive 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 Computershare Investor Services, 2 North LaSalle Street, Third Floor, Chicago, Illinois 60602. 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 2005 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 2005 Long-Term Incentive Plan and FOR the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for 2005.

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 and 3?

If a quorum is present at the annual meeting, the proposals to approve the 2005 Long-Term Incentive Plan and ratify independent registered public accountants will require the affirmative vote of a majority of the voting power of the Common Shares and Series A Common Shares voting together and present in person or represented by proxy and entitled to vote on such matter at the annual meeting. A vote to abstain from voting on such proposal will be treated as a vote against such proposal. Non-votes with respect to such proposal will not affect the determination of whether such proposal is approved.

PROPOSAL 1
ELECTION OF DIRECTORS

The nominees for election as Class 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 designated by the board of directors.

Nominees

Class III Directors Terms Scheduled to Expire in 2008

The following persons, if elected at the 2005 annual meeting of shareholders, will serve as Class III directors until the 2008 annual meeting of shareholders, or until their successors are elected and qualified:

Elected by Holders of Common Shares

Name	*Age*	*Position with U.S. Cellular and Principal Occupation*	*Served as Director since*
J. Samuel Crowley	54	Director of U.S. Cellular and Private Investor	1998

Elected by Holder of Series A Common Shares

Name	*Age*	*Position with U.S. Cellular and Principal Occupation*	*Served as Director since*
LeRoy T. Carlson, Jr.	58	Chairman and Director of U.S. Cellular and President and Chief Executive Officer of TDS	1984
Walter C.D. Carlson	51	Director of U.S. Cellular, non-executive Chairman of the Board of TDS and Partner, Sidley Austin Brown & Wood LLP, Chicago, Illinois	1989

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

Background of Class III Nominees

J. Samuel Crowley. J. Samuel Crowley is a private investor. 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 of U.S. Cellular, and the President and Chief 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 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. Mr. Carlson is a current Class III director who was previously elected by the 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 Brown & Wood LLP for more than five years and is a member of its executive committee. The law firm of Sidley Austin Brown & Wood LLP provides legal services to U.S. Cellular and TDS on a regular basis. 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. He is a current Class III director who was previously elected by the holder of Series A Common Shares.

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

Other Directors

Class I Directors Terms Scheduled to Expire in 2006

The following persons are current Class I directors whose terms expire at the 2006 annual meeting of shareholders:

Elected by Holders of Common Shares

Name	*Age*	*Position with U.S. Cellular and Principal Occupation*	*Served as Director since*
Harry J. Harczak, Jr.	48	Director of U.S. Cellular and Executive Vice President-Sales of CDW Corporation	2003

Elected by Holder of Series A Common Shares

Name	*Age*	*Position with U.S. Cellular and Principal Occupation*	*Served as Director since*
LeRoy T. Carlson	88	Director of U.S. Cellular and Chairman Emeritus of TDS	1987
John E. Rooney	63	President and Chief Executive Officer of U.S. Cellular	2000

Background of Class I Directors

Harry J. Harczak, Jr. Mr. Harczak is the executive vice president sales for CDW, a publicly held provider of technology products and services. He joined CDW in 1994 as chief financial officer after serving as partner at PricewaterhouseCoopers LLP. He was promoted from chief financial officer to executive vice president of sales in 2002. CDW provides products and services to U.S. Cellular and its affiliates on a regular basis.

LeRoy T. Carlson. LeRoy T. Carlson was appointed Chairman Emeritus of TDS in February 2002. Prior to that time, he was the Chairman of TDS for more than five years. He is a member of the TDS board of directors and is also a director of TDS Telecom. He 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 since April 10, 2000. Mr. Rooney was previously employed by Ameritech Corporation for more than five years, most recently as president of Ameritech Consumer Services and, prior to that, as president of Ameritech Cellular Services. Mr. Rooney is currently a director of First Midwest Bancorp, Inc., a diversified financial services company.

Class II Directors Terms Scheduled to Expire in 2007

The following persons are current Class II directors whose terms expire at the 2007 annual meeting of shareholders:

Elected by Holders of Common Shares

Name	*Age*	*Position with U.S. Cellular and Principal Occupation*	*Served as Director since*
Paul-Henri Denuit	70	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

Name	*Age*	*Position with U.S. Cellular and Principal Occupation*	*Served as Director since*
Ronald E. Daly	58	Director of U.S. Cellular and Private Investor	August 2004
Sandra L. Helton	55	Director of U.S. Cellular and Executive Vice President and Chief Financial Officer of TDS	1998
Kenneth R. Meyers	51	Director of U.S. Cellular and Executive Vice President Finance, Chief Financial Officer and Treasurer of U.S. Cellular	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 company. Océ-N.V. is a 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 was appointed to the U.S. Cellular Board of Directors in August 2004 to fill a vacancy on the Board resulting from the resignation of Barrett A. Toan in February 2004, and the redesignation of Harry J. Harczak, Jr., to such directorship.

Sandra L. Helton. Sandra L. Helton was appointed Executive Vice President and Chief Financial Officer of TDS in October 2000. Ms. Helton joined TDS as Executive Vice President Finance and Chief Financial Officer of TDS on August 10, 1998. Ms. Helton is also a member of the board of directors of TDS and TDS Telecom. Ms. Helton is a director of The Principal Financial Group, a global financial institution, and Covance, Inc., a drug development services company.

Kenneth R. Meyers. Kenneth R. Meyers has been the Executive Vice President Finance, Chief Financial Officer and Treasurer of U.S. Cellular for more than five years.

COMMITTEES AND MEETINGS

Meetings of Board of Directors

Our board of directors held six meetings during 2004. Each incumbent director attended at least 75 percent of the aggregate of the total number of meetings of the board of directors (held during 2004 for which such person has been a director) and the total number of meetings held by all committees of the board on which such person served (during the periods of 2004 that such person served).

Stock Option Compensation Committee

The stock option compensation committee of our board of directors currently consists of J. Samuel Crowley 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. All actions of the stock option compensation committee in 2004 were approved by unanimous consent.

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 attached hereto as *Exhibit A*. A copy of the charter is also available on U.S. Cellular's web site, *www.uscellular.com*, under About Us Investor Relations Corporate Governance.

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 do not have any other material relationship with U.S. Cellular that would interfere with their exercise of independent judgment. 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.

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 beyond those 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 fifteen meetings during 2004.

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. U.S. Cellular complies with such standards and has certified to this effect to 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 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 material relationship that would interfere with the exercise of independent judgment and qualify as independent under the listing standards of the American Stock Exchange, as well as the rules of the SEC. In addition, although not required to do so, the U.S. Cellular Board has also determined the Ronald E. Daly does not have any material relationship that would interfere with the exercise of independent judgment 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 ten directors, or 40% of the directors, have been determined to qualify as independent under the listing standards of the American Stock Exchange.

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 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 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 2005 annual meeting is an executive officer and/or director who is standing for re-election.

U.S. Cellular has not paid a fee in 2005 to any third party or parties to identify or evaluate or assist in identifying or evaluating potential nominees for election of directors at the 2005 annual meeting. However, from time to time, U.S. Cellular may pay a fee to an executive search firm to identify potential candidates for election as directors.

Shareholder Communication with Directors

Security holders may send communications to the board of directors of U.S. Cellular or to specified individual directors at any time. Security holders 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 security holder 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.

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 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. Of the nine persons who were directors at the time, six attended the 2004 annual meeting of shareholders.

PROPOSAL 2
2005 LONG TERM INCENTIVE PLAN

SUMMARY OF PROPOSAL

The board of directors has approved the United States Cellular Corporation 2005 Long-Term Incentive Plan (the "Incentive Plan") subject to shareholder approval. The Incentive Plan is an amendment and restatement of the United States Cellular Corporation 2003 Long-Term Incentive Plan (the "2003 Plan"). The shareholders of U.S. Cellular approved the 2003 Plan at the 2003 annual meeting.

The board of directors has determined that it would be desirable to approve and adopt the Incentive Plan which amends the 2003 Plan in the following respects:

- to authorize the grant of restricted stock units;
- to permit the cashless exercise of stock options through withholding of Common Shares otherwise deliverable, provided such exercise does not result in adverse accounting consequences to U.S. Cellular;
- to extend the term of the plan from February 21, 2013 to February 22, 2015;
- to comply with newly enacted deferred compensation legislation under Section 409A of the Internal Revenue Code; and
- to make certain other technical changes.

Accordingly, the Incentive Plan is being submitted for approval by shareholders at the 2005 annual meeting. If approved by shareholders, the Incentive Plan will be effective as of February 22, 2005. The following is a description of the Incentive Plan.

DESCRIPTION OF THE PLAN

General

Under the Incentive Plan, the following awards may be granted:

- incentive stock options ("ISOs") and nonqualified stock options;
- stock appreciation rights ("SARs");
- restricted stock awards ("restricted stock") and restricted stock unit ("RSU") awards, which may be subject to a restriction period or specified performance measures or both;
- performance awards; and
- company match awards for deferred bonus payments, as described below.

A total of 7,000,000 Common Shares have been reserved for issuance under the Incentive Plan, subject to adjustment in the event of a stock split, stock dividend or other changes in the capital structure of U.S. Cellular. No grants may be made under the Incentive Plan after ten years following its effective date.

Purpose of Plan	The purposes of the Incentive Plan are:

to align the interests of the shareholders of U.S. Cellular and the key executive and management employees of U.S. Cellular and certain affiliates who receive awards under the Incentive Plan by increasing the proprietary interest of such employees in U.S. Cellular's growth and success;

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

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

Amendment	The board of directors may amend the Incentive Plan as it deems advisable, subject to any requirement of shareholder approval under applicable law, rule or regulation, including Section 162(m) and Section 422 of the Internal Revenue Code and any rule of the principal national stock exchange on which the Common Shares are then traded, except that, subject to adjustment for certain changes in the capital structure of U.S. Cellular, no amendment may be made without shareholder approval if such amendment: would increase the maximum number of Common Shares available for issuance under the Incentive Plan; or would reduce the minimum purchase price of an award; and with respect to any ISO granted under the Incentive Plan, no amendment shall effect any change inconsistent with Section 422 of the Internal Revenue Code.
Termination	The Incentive Plan will terminate on February 22, 2015, unless terminated earlier by the board of directors.
Eligibility	Participants in the Incentive Plan may consist of such key executive and management employees of U.S. Cellular or its affiliates as the Committee, described below, may select from time to time. U.S. Cellular and its affiliates currently have approximately 1,200 key executive and management employees.
Maximum Award	Subject to adjustment in the event of changes in the capital structure of U.S. Cellular, the maximum number of Common Shares with respect to which options or SARs or a combination thereof may be granted during any calendar year to any employee is 175,000; and restricted stock or RSU awards subject to performance measures (or a combination thereof) may be granted during any calendar year to any employee is 50,000. The maximum amount that may be paid to any employee under a performance award for any performance period shall not exceed 50,000 Common Shares or the fair market value of such Common Shares if paid in cash.
Administration	The Incentive Plan will be administered by a committee (the "Committee") designated by the board of directors of U.S. Cellular, consisting of one or more members of the Board, each of whom is an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code and a "Non-Employee Director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Committee will select those eligible persons for participation in the Incentive Plan as the Committee determines and will determine the form, amount and timing of each award and, if applicable, the number of Common Shares, the number of SARs and

the number of RSUs subject to such an award, the exercise price, the time and conditions of exercise of the award and all other terms and conditions of the award, including, without limitation, the form of the agreement evidencing the award. The Committee also will have authority to prescribe rules and regulations for administering the Incentive Plan and to decide questions of interpretation or application of any provision of the Incentive Plan.

The Committee's authority with respect to the Incentive Plan is limited in the following ways:

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

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

Delegation

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

the selection for participation in the Incentive Plan of

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

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

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

Performance Measures

The Committee may establish performance measures as follows:

The performance measures that must be attained:

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

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

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

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

- the attainment by a Common Share of a specified fair market value for a specified period of time;
- earnings per share;
- return to shareholders (including dividends);
- return on assets;
- return on equity;
- return on capital;
- customer satisfaction;
- gross customer additions;
- net customer additions;
- sales and marketing costs per gross customer addition;
- customer defections;
- earnings;
- revenues;
- average revenue per customer unit;
- market share;
- cash flow; and/or
- cost reduction goals.

Stock Options

The Incentive Plan provides for the grant of ISOs and nonqualified stock options. The Committee will determine the exercise period, the purchase price of Common Shares subject to a stock option and the other terms of a stock option at the time of grant, provided that the purchase price per Common Share subject to either an ISO or a nonqualified stock option shall not be less than 100% of the fair market value of such Common Share on the date of grant. The exercise of an option entitles the optionee thereof to receive (subject to withholding taxes, if any) whole Common Shares. The aggregate fair market value (determined as of the date the option is granted) of the Common Shares with respect to which ISOs are exercisable for the first time by the optionee in any calendar year (under the Incentive Plan and any other incentive stock option plan of U.S. Cellular) may not exceed $100,000. ISOs granted under the Incentive Plan generally may not be exercised after ten years from the date of grant. In the case of any eligible employee who owns or is deemed to own stock possessing more than 10% of the total combined voting power of all classes of stock of U.S. Cellular or any related corporation, the exercise price of any ISOs granted under the Incentive Plan may not be less than 110% of the fair market value of the Common Shares on the date of grant, and the exercise period may not exceed five years from the date of grant.

The board of directors may determine that all stock options will become immediately exercisable upon certain changes of control of U.S. Cellular.

Stock Appreciation Rights

The Incentive Plan provides for the grant of SARs. The number of Common Shares subject to an SAR, the period for the exercise of an SAR, the base price of an SAR, whether the SAR shall be freestanding or granted in tandem or by reference to an option and any performance measures and the other terms applicable to an SAR will be determined by the Committee, provided that the base price per Common Share subject to an SAR shall not be less than 100% of the fair market value of a Common Share on the date of grant. The exercise of an SAR entitles the holder thereof to receive (subject to withholding taxes, if any) whole Common Shares (which may be restricted stock), cash or a combination thereof with a value equal to the difference between the fair market value of the stock on the exercise date and the base price of the SAR, multiplied by the number of Common Shares with respect to which such SAR is issued.

The board of directors may determine that all SARs will become immediately exercisable upon certain changes of control of U.S. Cellular.

Restricted Stock and Restricted Stock Unit Awards

The Incentive Plan provides for the grant of restricted stock awards and RSU awards. An award of restricted stock entitles the holder to Common Shares subject to a restriction period. An RSU is a right to receive, upon vesting, a Common Share, or the fair market value of such share in cash, as specified by the agreement evidencing the award. An award of restricted stock or RSUs may be made upon the attainment of performance measures and may be subject to the attainment of performance measures for the applicable restriction period. The terms of an award of restricted stock or RSUs, the restriction period and any performance measures will be determined by the Committee. Shares of restricted stock and RSUs generally are subject to forfeiture if the holder does not remain continuously employed by U.S. Cellular during the restriction period or, if the restricted stock or RSU is subject to performance measures, if such performance measures are not attained during the restriction period.

Any provision relating to (i) the satisfaction of performance measures, (ii) the termination of the restriction period relating to a restricted stock award or RSU award and (iii) any forfeiture and cancellation of a restricted stock award or RSU award upon an employee's termination of employment, whether by reason of disability, retirement, death or any other reason, shall be determined by the Committee and set forth in the agreement with respect to the award.

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

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

The board of directors may determine that all restriction periods applicable to restricted stock and RSU awards will lapse and any performance measures will be deemed satisfied at the maximum level upon certain changes of control of U.S. Cellular.

Performance Awards

The Incentive Plan provides for the grant of performance awards. Each performance award is a right, contingent upon the attainment of performance measures within a specified performance period, to receive payment in cash or Common Shares (which may be restricted stock), as specified by the agreement evidencing the award. The amount of a performance award, the applicable performance measures and performance period, and the other terms of a performance award will be determined by the Committee. If the specified performance measures are not attained during the applicable performance period, then the award recipient generally forfeits all rights to receive the cash or Common Shares subject to the performance award. Any terms relating to (i) the satisfaction of performance measures, (ii) the termination of the performance period relating to a performance award, or (iii) any forfeiture and cancellation of an award upon an employee's termination of employment, whether by reason of disability, retirement, death, or any other reason, shall be determined by the Committee and set forth in the agreement with respect to the award.

The board of directors may determine that all performance periods applicable to performance awards will lapse and any performance measures will be deemed satisfied at the maximum level upon certain changes of control of U.S. Cellular.

Company Match Awards

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

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

$33^1/_3$% of the deferred bonus amount which is in excess of one-half of the employee's gross bonus for the year.

An employee will be fully vested in the deferred bonus amounts credited to his or her deferred compensation account. One-third of the company match award credited to the employee's deferred compensation account shall 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. 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.

Except as set forth below, an employee will receive an amount equal to his or her deferred bonus amounts and vested company match amounts on the earlier of (i) the date specified by the employee, (ii) the date the employee separates from service for whatever reason, and (iii) the date the employee is determined to suffer a permanent disability; provided, however, that if an employee separates from service due to retirement, death or permanent disability, he or she shall be entitled to receive all company match amounts credited to his or her account. If an employee is a "key employee" within the meaning of Section 409A of the Internal Revenue 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 Internal Revenue 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).

In addition, the Committee may approve in its sole discretion, a distribution of all or a portion of an employee's vested deferred compensation account in the event of an unforeseeable emergency causing severe financial hardship.

The board of directors may determine that all company match awards will become fully vested upon certain changes of control of U.S. Cellular.

FEDERAL INCOME TAX CONSEQUENCES

The following is a brief summary of the U.S. Federal income tax consequences of awards made under the Incentive 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 awards made under the Incentive Plan.

Stock Options

An award recipient will not recognize taxable income upon the grant of a stock option. An award recipient will recognize compensation taxable as ordinary income (subject to income tax withholding) upon exercise of a nonqualified stock option equal to the excess of the fair market value on the date of exercise of the shares purchased over their exercise price, and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies. An award recipient will not recognize taxable income (except for purposes of the alternative minimum tax) upon exercise of an ISO. If the shares acquired by exercise of an ISO are held for the longer of two years from the date the option was granted and one year from the date the shares were transferred to the award recipient, any gain or loss arising from a subsequent disposition of such shares will be taxed as long-term capital gain or loss, and U.S. Cellular will not be entitled to any deduction. If, however, such shares are disposed of within such two or one year periods, then in the year of the disposition of the shares, the award recipient generally will recognize compensation taxable as ordinary income equal to the excess of

the lesser of:

the amount realized upon such disposition; or

the fair market value of such shares on the date of exercise

over the exercise price;

and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies.

Stock Appreciation Rights

An award recipient will not recognize taxable income upon the grant of an SAR. In the case of an award settled in unrestricted Common Shares, an award recipient will recognize compensation taxable as ordinary income (subject to income tax withholding) upon exercise of an SAR equal to the fair market value of any unrestricted Common Shares delivered and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies. If restricted stock is delivered upon exercise of an SAR, the Federal income tax consequences associated with such restricted stock shall be determined in accordance with the section below titled "Restricted Stock". The tax treatment of SARs settled in whole or in part in cash is not addressed because of the uncertainty regarding the application of the adverse tax consequences under Section 409A of the Internal Revenue Code to the recipients of such SAR awards. U.S. Cellular does not intend to grant any cash-settled SAR awards until the application of Section 409A of the Internal Revenue Code to such SAR awards is settled.

Restricted Stock	An award recipient will not recognize taxable income at the time of an award of shares of restricted stock, and U.S. Cellular will not be entitled to a corporate income tax deduction at such time, unless the award recipient makes an election to be taxed at the time the shares of restricted stock are granted. If such election is made, the award recipient will recognize compensation taxable as ordinary income (subject to income tax withholding) at the time of the grant equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. If such election is not made, the award recipient will recognize compensation taxable as ordinary income (subject to income tax withholding) at the time the restrictions lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. U.S. Cellular is entitled to a corresponding corporate income tax deduction at the time the ordinary income is recognized by the award recipient, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies. In addition, an award recipient receiving dividends with respect to restricted stock for which the above described election has not been made and prior to the time the restrictions lapse will recognize taxable compensation (subject to income tax withholding), rather than dividend income, in an amount equal to the dividends paid, and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies.
Restricted Stock Units	An award recipient will not recognize taxable income at the time of an award of an RSU, and U.S. Cellular will not be entitled to a corporate income tax deduction at such time. An award recipient will recognize compensation taxable as ordinary income (subject to income tax withholding) at the time the restrictions on the award lapse in an amount equal to the fair market value of any shares delivered and any cash paid by U.S. Cellular, and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies.
Performance Awards	An award recipient will not recognize taxable income upon the grant of performance awards and U.S. Cellular will not be entitled to a corporate income tax deduction at such time. Upon the settlement of a performance award in the form of unrestricted Common Shares, cash or a combination of both, the award recipient will recognize compensation taxable as ordinary income (subject to income tax withholding) in an amount equal to the fair market value of any Common Shares delivered and the amount of any cash paid by U.S. Cellular, and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies. Upon the settlement of a performance award in the form of restricted stock, the Federal income tax consequences associated with such restricted stock shall be determined in accordance with the above section titled "Restricted Stock."
Deferral Of Annual Bonus Amount and Company Match Award	An award recipient will not recognize taxable income: on any annual bonus amount which he or she elects not to receive currently by deferring such amount into a deferred compensation account; or upon the grant of a company match award;

and U.S. Cellular will not be entitled to a corporate income tax deduction at such time. At the time the award recipient receives a distribution from his or her deferred compensation account, the award recipient will recognize the distributed amount as compensation taxable as ordinary income (subject to income tax withholding), and U.S. Cellular will be entitled to a corresponding corporate income tax deduction, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies.

Section 162(m) of the Internal Revenue Code

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

- the compensation must be payable solely on account of the attainment of pre-established objective performance measures;
- the performance measures must be determined by a committee consisting solely of two or more "outside directors;"
- the material terms under which the compensation is to be paid, including the performance measures, must be approved by a majority of the corporation's stockholders; and
- the committee administering the plan must certify that the applicable performance measures were satisfied before payment of any performance based compensation is made.

Compensation payable with respect to stock options and SARs will be considered qualified performance-based compensation, however, if such awards (i) have a purchase or base price at least equal to the fair market value of the underlying Common Shares on the date of grant; (ii) are granted by a committee consisting solely of two or more "outside directors" and (iii) satisfy the share limits described in the above section titled "Maximum Award."

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

Internal Revenue Code. Other compensation under the Incentive Plan, such as that payable with respect to (i) restricted stock and RSUs not granted as a result of the attainment of performance measures with restrictions not based upon the attainment of performance measures and (ii) company match awards, generally is ex