

UNITED STATES CELLULAR CORP
Form 10-K
February 25, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009

OR

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

Commission file number 1-9712

UNITED STATES CELLULAR CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

62-1147325
(IRS Employer Identification No.)

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

(Address of principal executive offices) (Zip code)

Registrant's Telephone Number: (773) 399-8900

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, \$1 par value	New York Stock Exchange
7.5% Senior Notes Due 2034	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of June 30, 2009, the aggregate market value of the registrant's Common Shares held by nonaffiliates was approximately \$612.1 million, based upon the closing price of the Common Shares on June 30, 2009 of \$38.45, as reported by the New York Stock Exchange. For purposes

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hereof, it was assumed that each director, executive officer and holder of 10% or more of any class of voting equity security of U.S. Cellular is an affiliate.

The number of shares outstanding of each of the registrant's classes of common stock, as of January 29, 2010, is 53,534,644 Common Shares, \$1 par value, and 33,005,877 Series A Common Shares, \$1 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Those sections or portions of the registrant's 2009 Annual Report to Shareholders filed as Exhibit 13 hereto, and of the registrant's Notice of Annual Meeting of Shareholders and Proxy Statement for its 2010 Annual Meeting of Shareholders scheduled to be held May 19, 2010, described in the cross reference sheet and table of contents included herein, are incorporated by reference into Parts II and III of this report.

United States Cellular Corporation

Annual Report on Form 10-K

For The Period Ended December 31, 2009

CROSS REFERENCE SHEET AND TABLE OF CONTENTS

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- (1) Parenthetical references are to information incorporated by reference from Exhibit 13 hereto, which includes portions of the registrant's Annual Report to Shareholders for the year ended December 31, 2009 (Annual Report) and from the registrant's Notice of Annual Meeting of Shareholders and Proxy Statement for its 2010 Annual Meeting of Shareholders (Proxy Statement) to be filed on or prior to April 30, 2010.
 - (2) Annual Report sections entitled Stock and Dividend Information and Consolidated Quarterly Information (Unaudited), except that Securities Authorized for Issuance under Equity Compensation Plans is incorporated in Item 12 of this Form 10-K and Issuer Purchases of Equity Securities, is included under Item 5 of this Form 10-K.
 - (3) Annual Report section entitled Selected Consolidated Financial Data, except that Ratio of Earnings to Fixed Charges is included in Exhibit 12 to this Form 10-K.
 - (4) Annual Report section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations.
 - (5) Annual Report section entitled Market Risk.
 - (6) Annual Report sections entitled Consolidated Statement of Operations, Consolidated Statement of Cash Flows, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements, Consolidated Quarterly Information (Unaudited), Management's Report on Internal Control Over Financial Reporting and Report of Independent Registered Public Accounting Firm.
 - (7) Proxy Statement sections entitled Election of Directors, Corporate Governance, Executive Officers and Section 16(a) Beneficial Ownership Reporting Compliance.
 - (8) Proxy Statement section entitled Executive and Director Compensation.
 - (9) Proxy Statement sections entitled Security Ownership of Certain Beneficial Owners and Management and Securities Authorized for Issuance under Equity Compensation Plans.
 - (10) Proxy Statement sections entitled Corporate Governance and Certain Relationships and Related Transactions.
 - (11) Proxy Statement section entitled Fees Paid to Principal Accountants.
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UNITED STATES CELLULAR CORPORATION

8410 WEST BRYN MAWR AVENUE, CHICAGO ILLINOIS 60631

TELEPHONE (773) 399-8900

PART I

Item 1. Business

General

United States Cellular Corporation (U.S. Cellular) was incorporated under the laws of the state of Delaware in 1983. At December 31, 2009, U.S. Cellular provided wireless voice and data services to more than 6.1 million customers in five geographic market areas in 26 states. U.S. Cellular believes that it is the sixth largest wireless operating company in the United States at December 31, 2009 based on internally prepared calculations of the aggregate number of customers in its consolidated markets compared to the number of customers disclosed by other wireless companies in their publicly released information. U.S. Cellular operates in only one reportable segment, wireless operations, and all of its wireless operating markets are in the United States.

U.S. Cellular has its principal executive offices at 8410 West Bryn Mawr, Chicago, Illinois 60631 (telephone number 773-399-8900). The Common Shares of U.S. Cellular are listed on the New York Stock Exchange under the symbol USM. U.S. Cellular's 7.5% Senior Notes are listed on the New York Stock Exchange (NYSE) under the symbol UZV. U.S. Cellular is a majority-owned subsidiary of Telephone and Data Systems, Inc. (NYSE symbol TDS). As of December 31, 2009, TDS owned 82% of the combined total of the outstanding Common Shares and Series A Common Shares of U.S. Cellular and controlled 96% of the combined voting power of both classes of common stock.

U.S. Cellular's website address is <http://www.uscc.com>. U.S. Cellular files with, or furnishes to, the Securities and Exchange Commission (SEC) annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, as well as various other information. Investors may access, free of charge, through the About Us/Investor Relations portion of the website, U.S. Cellular's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practical after such material is filed electronically with the SEC. The public may read and copy any materials U.S. Cellular files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549. The public may obtain information on the operation of the Reference Room by calling the SEC at 1-800-732-0330. The public may also view electronic filings of U.S. Cellular by accessing SEC filings at <http://www.sec.gov>.

Wireless Interests

U.S. Cellular is a wireless telecommunications service provider. U.S. Cellular operates its wireless systems under an organizational structure in which it groups its markets (geographic service areas as defined by the Federal Communications Commission (FCC) in which wireless carriers are licensed, for fixed terms, to provide service) into geographic market areas to offer customers large service areas that primarily utilize U.S. Cellular's network. Since 1985, when it began providing wireless telecommunications service in Knoxville, Tennessee and Tulsa,

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Oklahoma, U.S. Cellular has expanded its wireless networks and customer service operations to cover five geographic market areas in portions of 26 states, which represents a total population of 46.3 million, as of December 31, 2009. U.S. Cellular uses roaming agreements with other wireless carriers to provide service to its customers in areas not covered by U.S. Cellular's network.

U.S. Cellular is subject to regulation by the FCC as a provider of wireless communication services. The FCC regulates the licensing, construction, and operation of providers of wireless communications systems, as well as the provision of services over those systems. See Regulation below for further discussion regarding licenses as well as the regulations promulgated by the FCC.

U.S. Cellular's ownership interests in wireless licenses include both consolidated and investment interests in licenses covering portions of 35 states and a total population of 89.7 million at December 31, 2009.

For purposes of tracking population counts in order to calculate market penetration, when U.S. Cellular acquires a licensed area that overlaps a licensed area it already owns, it does not duplicate the population counts for any overlapping licensed area. Only incremental population counts are added to the reported amount of total market population in the case of an acquisition of a licensed area that overlaps a previously owned licensed area. The incremental population counts that are added in such event are referred to throughout this Form 10-K as incremental population measurements.

The total market population and population equivalents measures are provided to enable comparison of the relative size of each geographic market area to U.S. Cellular's total consolidated markets and to enable comparison of the relative size of U.S. Cellular's consolidated markets to its investment interests, respectively. The total population of U.S. Cellular's consolidated markets may have no direct relationship to the number of wireless customers or the revenues that may be realized from the operation of the related wireless systems. Therefore, U.S. Cellular's reporting of total population includes the population of its total consolidated markets as well as the population of its consolidated operating markets i.e., consolidated markets in which wireless services are provided to customers in order to reflect its market penetration more accurately. Total consolidated markets include the consolidated operating markets and consolidated markets in which U.S. Cellular does not currently provide wireless services. For comparison purposes, total market population and penetration calculations for both total consolidated markets and consolidated operating markets are shown below.

For both consolidated markets and consolidated operating markets, the tables below aggregate the total population within each geographic market area at December 31, 2009, regardless of U.S. Cellular's percentage ownership in the licenses included in such geographic market areas.

Total Consolidated Markets

Geographic Market Areas	Population(1) (2)	Customers	Penetration	States
Central	63,839,000	3,848,000	6.0%	AL, AR, CO, FL, GA, IA, IL, IN, KS, KY, LA, MI, MN, MO, MS, NE, OH, OK, SD, TX, WI
Mid-Atlantic	19,373,000	1,178,000	6.1%	MD, NC, PA, SC, TN, VA, WV
New England	2,865,000	515,000	18.0%	ME, NH, VT
Northwest	3,149,000	416,000	13.2%	CA, OR, WA
New York	486,000	184,000	37.7%	NY
Total	89,712,000	6,141,000	6.8%	

(1) Represents 100% of the population of the licensed areas which U.S. Cellular consolidates, based on 2008 Claritas population estimates. Population in this context includes only the areas covering such markets and is used only for the purposes of calculating market penetration and is not related to population equivalents, as defined below. It also includes 100% of the population of two licensed areas where U.S. Cellular owns a controlling interest and has contracted with another wireless operator to manage the operations.

(2) Includes 4.5 million incremental population counts resulting from the licenses awarded to King Street Wireless L.P. in December 2009.

Consolidated Operating Markets

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Geographic Market Areas	Population(1)	Customers	Penetration	States
Central	32,832,000	3,848,000	11.7%	IA, IL, IN, KS, MI, MN, MO, NE, OH, OK, TX, WI
Mid-Atlantic	7,766,000	1,178,000	15.2%	MD, NC, PA, SC, TN, VA, WV
New England	2,865,000	515,000	18.0%	ME, NH, VT
Northwest	2,357,000	416,000	17.6%	CA, OR, WA
New York	486,000	184,000	37.7%	NY
Total	46,306,000	6,141,000	13.3%	

(1) Represents 100% of the population of the licensed areas which U.S. Cellular consolidates and are in operation, based on 2008 Claritas population estimates. Population in this context includes only the areas covering such markets and is used only for the purposes of calculating market penetration and is not related to population equivalents, as defined below. It also includes 100% of the population of two licensed areas where U.S. Cellular owns a controlling interest and has contracted with another wireless operator to manage the operations.

Investment Markets

The following table summarizes the markets in which U.S. Cellular owns an investment interest at December 31, 2009. For licenses in which U.S. Cellular owns an investment interest, the related population equivalents are shown, defined as the total population of each licensed area multiplied by U.S. Cellular's ownership interest in each such license.

Market Area/Market	Population(1)	Current Percentage Interest(2)	Current Population Equivalents(3)
Los Angeles/Oxnard, CA	18,296,000	5.5%	1,006,000
Oklahoma City, OK	1,139,000	14.6%	166,000
Others (fewer than 100,000 population equivalents each)			345,000