UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from to

Commission File Number 1-9712

UNITED STATES CELLULAR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**62-1147325**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: **(773) 399-8900**

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 x No o

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 x No o

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 x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at September 30, 2011
Common Shares, $1 par value	51,545,504 Shares
Series A Common Shares, $1 par value	33,005,877 Shares

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United States Cellular Corporation

Quarterly Report on Form 10-Q

For the Quarterly Period Ended September 30, 2011

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Part I. Financial Information

Item 1. Financial Statements

United States Cellular Corporation

Consolidated Statement of Operations

(Unaudited)

(Dollars and shares in thousands, except per share amounts)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Operating revenues				
Service	$ 1,036,609	$ 983,503	$ 3,023,752	$ 2,921,087
Equipment sales	73,830	77,278	219,961	193,444
Total operating revenues	1,110,439	1,060,781	3,243,713	3,114,531
Operating expenses				
System operations (excluding Depreciation, amortization and accretion reported below)	241,852	218,021	687,256	638,677
Cost of equipment sold	193,491	189,291	556,465	512,361
Selling, general and administrative (including charges from affiliates of $23.8 million and $22.9 million, respectively, for the three months, and $75.7 million and $77.0 million, respectively, for the nine months)	441,512	446,938	1,309,688	1,321,720
Depreciation, amortization and accretion	141,664	143,191	431,581	427,831
(Gain) loss on asset disposals and exchanges, net	(9,700)	1,981	(5,741)	8,407
Total operating expenses	1,008,819	999,422	2,979,249	2,908,996
Operating income	101,620	61,359	264,464	205,535
Investment and other income (expense)				
Equity in earnings of unconsolidated entities	21,929	23,971	65,289	74,418
Interest and dividend income	869	1,101	2,466	2,984
Gain on investment			13,373	
Interest expense	(11,522)	(15,956)	(51,905)	(48,918)
Other, net	(97)	(620)	(47)	(213)
Total investment and other income (expense)	11,179	8,496	29,176	28,271
Income before income taxes	112,799	69,855	293,640	233,806
Income tax expense	43,292	25,639	102,771	88,656
Net income	69,507	44,216	190,869	145,150
Less: Net income attributable to noncontrolling interests, net of tax	(7,367)	(5,920)	(18,629)	(16,858)
Net income attributable to U.S. Cellular shareholders	$ 62,140	$ 38,296	$ 172,240	$ 128,292

Basic weighted average shares outstanding		84,547		85,992		84,984		86,329
Basic earnings per share attributable to U.S. Cellular shareholders	$	0.73	$	0.45	$	2.03	$	1.49
Diluted weighted average shares outstanding		84,940		86,428		85,448		86,706
Diluted earnings per share attributable to U.S. Cellular shareholders	$	0.73	$	0.44	$	2.02	$	1.48

The accompanying notes are an integral part of these consolidated financial statements.

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United States Cellular Corporation

Consolidated Statement of Cash Flows

(Unaudited)

(Dollars in thousands)	**Nine Months Ended September 30, 2011**	**2010**
Cash flows from operating activities		
Net income	$ 190,869	$ 145,150
Add (deduct) adjustments to reconcile net income to net cash flows from operating activities		
Depreciation, amortization and accretion	431,581	427,831
Bad debts expense	44,718	56,244
Stock-based compensation expense	15,475	13,539
Deferred income taxes, net	145,687	51,942
Equity in earnings of unconsolidated entities	(65,289)	(74,418)
Distributions from unconsolidated entities	52,037	59,149
(Gain) loss on asset disposals and exchanges, net	(5,741)	8,407
Gain on investment	(13,373)	
Noncash interest expense	9,582	1,846
Other operating activities	1,143	(1,740)
Changes in assets and liabilities from operations		
Accounts receivable	(57,564)	(46,293)
Inventory	(36,326)	32,673
Accounts payable - trade	79,031	(50,720)
Accounts payable - affiliate	1,185	(8,440)
Customer deposits and deferred revenues	30,695	1,972
Accrued taxes	9,679	(19,491)
Accrued interest	9,283	9,295
Other assets and liabilities	(65,048)	(22,933)
	777,624	584,013
Cash flows from investing activities		
Additions to property, plant and equipment	(506,082)	(379,692)
Cash paid for acquisitions and licenses	(23,773)	(10,501)
Cash paid for investments	(50,000)	(190,250)
Cash received for investments	85,250	25,330
Other investing activities	(210)	656
	(494,815)	(554,457)
Cash flows from financing activities		
Repayment of long-term debt	(330,106)	(307)
Issuance of long-term debt	342,000	
Common shares reissued for benefit plans, net of tax payments	1,755	738
Common shares repurchased	(62,294)	(40,520)
Payment of debt issuance costs	(11,394)	
Distributions to noncontrolling interests	(1,176)	(5,828)
Other financing activities	169	(8,758)

		(61,046)		(54,675)
Cash classified as held for sale		(11,237)		
Net increase (decrease) in cash and cash equivalents		210,526		(25,119)
Cash and cash equivalents				
Beginning of period		294,426		294,411
End of period	$	504,952	$	269,292

The accompanying notes are an integral part of these consolidated financial statements.

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United States Cellular Corporation

Consolidated Balance Sheet Assets

(Unaudited)

(Dollars in thousands)	September 30, 2011	December 31, 2010
Current assets		
Cash and cash equivalents	$ 504,952	$ 294,426
Short-term investments	110,761	146,586
Accounts receivable		
Customers and agents, less allowances of $21,620 and $24,455, respectively	310,524	331,452
Roaming	42,378	37,218
Affiliated	218	226
Other, less allowances of $1,846 and $1,361, respectively	81,214	55,123
Inventory	148,770	112,279
Income taxes receivable	35,121	41,397
Prepaid expenses	56,607	53,356
Net deferred income tax asset	26,757	26,757
Other current assets	10,693	10,804
	1,327,995	1,109,624
Assets held for sale	60,829	
Investments		
Licenses	1,470,550	1,452,101
Goodwill	494,737	494,737
Customer lists, net of accumulated amortization of $96,487 and $96,153, respectively	425	759
Investments in unconsolidated entities	160,374	160,847
Notes and interest receivable long-term	3,959	4,070
Long-term investments	45,297	46,033
	2,175,342	2,158,547
Property, plant and equipment		
In service and under construction	6,778,852	6,340,537
Less: Accumulated depreciation	4,124,358	3,766,015
	2,654,494	2,574,522
Other assets and deferred charges	61,941	50,367
Total assets	$ 6,280,601	$ 5,893,060

The accompanying notes are an integral part of these consolidated financial statements.

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United States Cellular Corporation

Consolidated Balance Sheet Liabilities and Equity

(Unaudited)

(Dollars and shares in thousands)		September 30, 2011		December 31, 2010
Current liabilities				
Current portion of long-term debt	$	101	$	101
Accounts payable				
Affiliated		11,976		10,791
Trade		360,788		281,601
Customer deposits and deferred revenues		177,123		146,428
Accrued taxes		43,910		39,299
Accrued compensation		48,117		65,952
Other current liabilities		95,665		121,823
		737,680		665,995
Liabilities held for sale		858		
Deferred liabilities and credits				
Net deferred income tax liability		742,343		583,444
Other deferred liabilities and credits		235,032		234,855
Long-term debt		880,411		867,941
Commitments and contingencies				
Noncontrolling interests with redemption features		923		855
Equity				
U.S. Cellular shareholders equity				
Series A Common and Common Shares				
Authorized 190,000 shares (50,000 Series A Common and 140,000 Common Shares)				
Issued 88,074 shares (33,006 Series A Common and 55,068 Common Shares)				
Outstanding 84,551 shares (33,006 Series A Common and 51,545 Common Shares) and 85,547 shares (33,006 Series A Common and 52,541 Common Shares), respectively				
Par Value ($1 per share) ($33,006 Series A Common and $55,068 Common Shares)		88,074		88,074
Additional paid-in capital		1,382,826		1,368,487
Treasury shares, at cost, 3,523 and 2,527 Common Shares, respectively		(153,011)		(105,616)
Retained earnings		2,294,562		2,135,507
Total U.S. Cellular shareholders equity		3,612,451		3,486,452
Noncontrolling interests		70,903		53,518
Total equity		3,683,354		3,539,970
Total liabilities and equity	$	6,280,601	$	5,893,060

The accompanying notes are an integral part of these consolidated financial statements.

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United States Cellular Corporation

Consolidated Statement of Changes in Equity

(Unaudited)

	U.S. Cellular Shareholders						
(Dollars in thousands)	**Series A Common and Common Shares**	**Additional Paid-In Capital**	**Treasury Shares**	**Retained Earnings**	**Total U.S. Cellular Shareholders Equity**	**Noncontrolling Interests**	**Total Equity**
Balance, December 31, 2010	$ 88,074	$ 1,368,487	$ (105,616)	$ 2,135,507	$ 3,486,452	$ 53,518	$ 3,539,970
Add (Deduct)							
Net income attributable to U.S. Cellular shareholders				172,240	172,240		172,240
Net income attributable to noncontrolling interests classified as equity						18,561	18,561
Repurchase of Common Shares			(62,294)		(62,294)		(62,294)
Incentive and compensation plans		72	14,899	(13,185)	1,786		1,786
Stock-based compensation awards		15,475			15,475		15,475
Tax windfall (shortfall) from stock awards		(1,208)			(1,208)		(1,208)
Distributions to noncontrolling interests						(1,176)	(1,176)
Balance, September 30, 2011	$ 88,074	$ 1,382,826	$ (153,011)	$ 2,294,562	$ 3,612,451	$ 70,903	$ 3,683,354

The accompanying notes are an integral part of these consolidated financial statements.

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United States Cellular Corporation

Consolidated Statement of Changes in Equity

(Unaudited)

	U.S. Cellular Shareholders						
(Dollars in thousands)	**Series A Common and Common Shares**	**Additional Paid-In Capital**	**Treasury Shares**	**Retained Earnings**	**Total U.S. Cellular Shareholders Equity**	**Noncontrolling Interests**	**Total Equity**
Balance, December 31, 2009	$ 88,074	$ 1,356,322	$ (69,616)	$ 2,015,752	$ 3,390,532	$ 51,701	$ 3,442,233
Add (Deduct)							
Net income attributable to U.S. Cellular shareholders				128,292	128,292		128,292
Net income attributable to noncontrolling interests classified as equity						16,829	16,829
Repurchase of Common Shares			(40,520)		(40,520)		(40,520)
Incentive and compensation plans		605	13,027	(12,288)	1,344		1,344
Adjust investment in subsidiaries for noncontrolling interest purchases		(4,247)			(4,247)	(1,580)	(5,827)
Stock-based compensation awards		13,539			13,539		13,539
Tax windfall (shortfall) from stock awards		(1,953)			(1,953)		(1,953)
Distributions to noncontrolling interests						(5,828)	(5,828)
Balance, September 30, 2010	$ 88,074	$ 1,364,266	$ (97,109)	$ 2,131,756	$ 3,486,987	$ 61,122	$ 3,548,109

The accompanying notes are an integral part of these consolidated financial statements.

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United States Cellular Corporation

Notes to Consolidated Financial Statements

1. Basis of Presentation

United States Cellular Corporation (U.S. Cellular), a Delaware Corporation, is an 84%-owned subsidiary of Telephone and Data Systems, Inc. (TDS).

The accounting policies of U.S. Cellular conform to accounting principles generally accepted in the United States of America (GAAP) as set forth in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The consolidated financial statements include the accounts of U.S. Cellular, its majority-owned subsidiaries, general partnerships in which U.S. Cellular has a majority partnership interest and certain entities in which U.S. Cellular has a variable interest that require consolidation under GAAP. All material intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified to conform to the 2011 presentation.

The consolidated financial statements included herein have been prepared by U.S. Cellular, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, U.S. Cellular believes that the disclosures included herein are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in U.S. Cellular s Annual Report on Form 10-K (Form 10-K) for the year ended December 31, 2010.

The accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring items, unless otherwise disclosed) necessary to present fairly the financial position as of September 30, 2011 and December 31, 2010, the results of operations for the three and nine months ended September 30, 2011 and 2010 and cash flows and changes in equity for the nine months ended September 30, 2011 and 2010. The Consolidated Statement of Comprehensive Income was not included because comprehensive income for the three and nine months ended September 30, 2011 and 2010 equaled net income. The results of operations for the three and nine months and cash flows and changes in equity for the nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year.

Recent Accounting Pronouncements

On May 12, 2011, the FASB issued Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure*. Although U.S. Cellular does not currently value any financial assets or liabilities at fair value, certain assets and liabilities are disclosed at fair value (see Note 3 Fair Value Measurements). Under ASU 2011-04, for these instruments, U.S. Cellular will be required to disclose, in a tabular format, the level within the fair value hierarchy that each of these assets and liabilities are measured. U.S. Cellular is required to adopt the provisions of ASU 2011-04 effective January 1, 2012. Early adoption is prohibited. The adoption of ASU 2011-04 is not expected to have a significant impact on U.S. Cellular s financial position or results of operations.

On June 16, 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. ASU 2011-05 amends how other comprehensive income (OCI) is presented in the financial statements. Under this standard, the Statement of Operations and OCI can be presented either continuously in the Statement of Comprehensive Income or in two separate but consecutive statements. U.S. Cellular is required to adopt the provisions of ASU 2011-05 effective January 1, 2012. The adoption of ASU 2011-05 is not expected to have an impact on U.S. Cellular s financial position or results of operations.

On September 15, 2011, the FASB issued ASU 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. ASU 2011-08 is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. U.S. Cellular is required to adopt the provisions of ASU 2011-08 effective January 1, 2012. Early adoption is permitted. The adoption of ASU 2011-08 is not expected to have a significant impact on U.S. Cellular s financial position or results of operations.

Agent Liabilities

U.S. Cellular has relationships with agents, which are independent businesses that obtain customers for U.S. Cellular. At September 30, 2011 and December 31, 2010, U.S. Cellular had accrued $44.2 million and $71.3 million, respectively, for amounts due to agents, including rebates and commissions. These amounts are included in Other current liabilities in the Consolidated Balance Sheet.

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Amounts Collected from Customers and Remitted to Governmental Authorities

U.S. Cellular records amounts collected from customers and remitted to governmental authorities net within a tax liability account if the tax is assessed upon the customer and U.S. Cellular merely acts as an agent in collecting the tax on behalf of the imposing governmental authority. If the tax is assessed upon U.S. Cellular, then amounts collected from customers as recovery of the tax are recorded in Service revenues and amounts remitted to governmental authorities are recorded in Selling, general and administrative expenses in the Consolidated Statement of Operations. The amounts recorded gross in revenues that are billed to customers and remitted to governmental authorities totaled $30.3 million and $92.7 million for the three and nine months ended September 30, 2011 and $34.1 million and $105.4 million for the three and nine months ended September 30, 2010, respectively.

2. Revision of Prior Period Amounts

In preparing its financial statements for the nine months ended September 30, 2011, U.S. Cellular discovered certain errors related to accounting for asset retirement obligations and asset retirement costs. These errors resulted in the overstatement of Total operating expenses, Property, plant and equipment, net and Other deferred liabilities and credits in the first and second quarter 2011 interim financial statements and in the 2010, 2009 and 2008 annual periods reported in the Company s December 31, 2010 financial statements. The December 31, 2007 Retained earnings balance presented in the December 31, 2010 annual financial statements was also overstated as a result of these errors. In accordance with *SEC Staff Accounting Bulletin Nos. 99 and 108* (SAB 99 and SAB 108), U.S. Cellular evaluated these errors and determined that they were immaterial to each of the reporting periods affected and, therefore, amendments of previously filed reports were not required. However, if the adjustments to correct the cumulative errors had been recorded in the third quarter 2011, U.S. Cellular believes the impact would have been significant to the third quarter results and would have impacted comparisons to prior periods. As permitted by SAB 108, revisions for these immaterial amounts to previously reported annual and quarterly results are reflected in the financial information herein and will be reflected in future filings containing such financial information. The impact of these errors was an increase to Retained earnings of $3.8 million, $2.8 million and $2.6 million in 2010, 2009 and 2008, respectively.

The Consolidated Balance Sheet at December 31, 2010 was revised to reflect the cumulative effect of these errors which resulted in an increase to Retained earnings of $5.9 million. In accordance with SAB 108, the Consolidated Balance Sheet, the Consolidated Statement of Operations and the Consolidated Statement of Cash Flows have been revised as follows:

Consolidated Balance Sheet December 31, 2010

(Dollars in thousands)	**As previously reported (1)**	**Adjustment**	**Revised**
Property, plant and equipment, net	$ 2,615,072	$ (40,550)	$ 2,574,522
Total assets	5,933,610	(40,550)	5,893,060
Net deferred income tax liability	579,769	3,675	583,444
Other deferred liabilities and credits	284,949	(50,094)	234,855
Retained earnings	2,129,638	5,869	2,135,507
Total U.S. Cellular shareholders equity	3,480,583	5,869	3,486,452
Total equity	3,534,101	5,869	3,539,970
Total liabilities and equity	5,933,610	(40,550)	5,893,060

Consolidated Statement of Operations Three Months Ended September 30, 2010

(Dollars in thousands)	As previously reported (2)	Adjustment	Revised
Depreciation, amortization and accretion	$ 144,717	$ (1,526)	$ 143,191
Total operating expenses	1,000,948	(1,526)	999,422
Operating income	59,833	1,526	61,359
Income before income taxes	68,329	1,526	69,855
Income tax expense	25,051	588	25,639
Net income	43,278	938	44,216
Net income attributable to U.S. Cellular shareholders	37,358	938	38,296
Basic earnings per share attributable to U.S. Cellular shareholders	0.43	0.02	0.45
Diluted earnings per share attributable to U.S. Cellular shareholders	0.43	0.01	0.44

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Consolidated Statement of Operations Nine Months Ended September 30, 2010

(Dollars in thousands)	As previously reported (2)	Adjustment	Revised
Depreciation, amortization and accretion	$ 432,405	$ (4,574)	$ 427,831
Total operating expenses	2,913,570	(4,574)	2,908,996
Operating income	200,961	4,574	205,535
Income before income taxes	229,232	4,574	233,806
Income tax expense	86,894	1,762	88,656
Net income	142,338	2,812	145,150
Net income attributable to U.S. Cellular shareholders	125,480	2,812	128,292
Basic earnings per share attributable to U.S. Cellular shareholders	1.45	0.04	1.49
Diluted earnings per share attributable to U.S. Cellular shareholders	1.45	0.03	1.48

Consolidated Statement of Cash Flows Nine Months Ended September 30, 2010

(Dollars in thousands)	As previously reported (2)	Adjustment	Revised
Net income	$ 142,338	$ 2,812	$ 145,150
Depreciation, amortization and accretion	432,405	(4,574)	427,831
Deferred income taxes, net	50,180	1,762	51,942
Cash flows from operating activities	584,013		584,013

(1) In Annual Report on Form 10-K for the year ended December 31, 2010, filed on February 25, 2011.

(2) In Quarterly Report on Form 10-Q for the period ended September 30, 2010, filed on November 4, 2010.

3. Fair Value Measurements

As of September 30, 2011 and December 31, 2010, U.S. Cellular did not have any financial assets or liabilities that were required to be recorded at fair value in its Consolidated Balance Sheet in accordance with GAAP. However, U.S. Cellular has applied the provisions of fair value accounting for purposes of computing the fair value of financial instruments for disclosure purposes as displayed below.

	September 30, 2011		December 31, 2010	
(Dollars in thousands)	Book Value	Fair Value	Book Value	Fair Value

Cash and cash equivalents	$	504,952	$	504,952	$	294,426	$	294,426
Short-term investments (1)(2)								
Certificates of deposit						250		250
Government-backed securities (3)		110,761		110,761		146,336		146,336
Long-term investments (1)(4)								
Government-backed securities (3)		45,297		45,445		46,033		46,034
Long-term debt (5)		875,997		854,677		863,657		850,374

(1) Designated as held-to-maturity investments and recorded at amortized cost in the Consolidated Balance Sheet.

(2) Maturities are less than twelve months from the respective balance sheet dates.

(3) Includes U.S. treasuries and corporate notes guaranteed under the Federal Deposit Insurance Corporation s Temporary Liquidity Guarantee Program.

(4) At September 30, 2011, maturities range between 13 and 23 months.

(5) Excludes capital lease obligations and current portion of Long-term debt.

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The fair values of Cash and cash equivalents and Short-term investments approximate their book values due to the short-term nature of these financial instruments. The fair values of Long-term investments were estimated using quoted market prices for the individual issuances. The fair value of long-term debt, excluding capital lease obligations and the current portion of such long-term debt, was estimated using market prices for the 6.95% and 7.5% senior notes and discounted cash flow analysis for the 6.7% senior notes.

As of September 30, 2011 and December 31, 2010, U.S. Cellular did not have nonfinancial assets or liabilities that required the application of fair value accounting for purposes of reporting such amounts in the Consolidated Balance Sheet.

4. Income Taxes

U.S. Cellular is included in a consolidated federal income tax return and in certain state income tax returns with other members of the TDS consolidated group. For financial statement purposes, U.S. Cellular and its subsidiaries compute their income tax expense as if they comprised a separate affiliated group and were not included in the TDS consolidated group.

U.S. Cellular s overall effective tax rate on Income before income taxes for the three and nine months ended September 30, 2011 was 38.4% and 35.0%, respectively, and for the three and nine months ended September 30, 2010 was 36.7% and 37.9%, respectively. The effective tax rate for the three months ended September 30, 2010 was lower than the rate for the three months ended September 30, 2011 primarily as a result of the favorable settlement of certain state income tax audits in 2010. The benefits from this change, along with other minor discrete benefits, decreased income tax expense for the three months ended September 30, 2010 by $1.1 million; absent these benefits, the effective tax rate for such period would have been higher by 1.6 percentage points.

The effective tax rate for the nine months ended September 30, 2011 was lower than the rate for the nine months ended September 30, 2010 due primarily to tax benefits from the expiration of the statute of limitations for certain tax years. The benefits from this change, along with other discrete items, decreased income tax expense for the nine months ended September 30, 2011 by $10.7 million; absent these benefits, the effective tax rate for such period would have been higher by 3.4 percentage points.

U.S. Cellular expects to incur a federal net operating loss in 2011 for federal income tax purposes as a result of 100% bonus depreciation that applies to qualified capital expenditures. U.S. Cellular plans to carryback this federal net operating loss to prior tax years, and has recorded $34.9 million as a component of Income taxes receivable at September 30, 2011 primarily related to the benefit associated with this estimated federal net operating loss carryback. A portion of the loss also will be carried forward generating a non-current deferred tax asset of $12.2 million. U.S. Cellular s federal income tax liabilities associated with the benefits being realized from bonus depreciation are accrued as a component of Net deferred income tax liability (noncurrent) in the Consolidated Balance Sheet.

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5. Earnings Per Share

Basic earnings per share attributable to U.S. Cellular shareholders is computed by dividing Net income attributable to U.S. Cellular shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share attributable to U.S. Cellular shareholders is computed by dividing Net income attributable to U.S. Cellular shareholders by the weighted average number of common shares outstanding during the period adjusted to include the effects of potentially dilutive securities. Potentially dilutive securities primarily include incremental shares issuable upon exercise of outstanding stock options and the vesting of restricted stock units.

The amounts used in computing Earnings per Common and Series A Common Share and the effects of potentially dilutive securities on the weighted average number of Common and Series A Common Shares are as follows:

(Dollars and shares in thousands, except per share amounts)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Net income attributable to U.S. Cellular shareholders	$ 62,140	$ 38,296	$ 172,240	$ 128,292
Weighted average number of shares used in basic earnings per share	84,547	85,992	84,984	86,329
Effects of dilutive securities:				
Stock options	86	104	124	80
Restricted stock units	307	332	340	297
Weighted average number of shares used in diluted earnings per share	84,940	86,428	85,448	86,706
Basic earnings per share attributable to U.S. Cellular shareholders	$ 0.73	$ 0.45	$ 2.03	$ 1.49
Diluted earnings per share attributable to U.S. Cellular shareholders	$ 0.73	$ 0.44	$ 2.02	$ 1.48

Certain Common Shares issuable upon the exercise of stock options or vesting of restricted stock units were not included in average diluted shares outstanding for the calculation of Diluted earnings per share because their effects were antidilutive. The number of such Common Shares excluded is shown in the table below.

(Shares in thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Stock options	1,605	1,836	1,357	1,768
Restricted stock units	1		193	195

6. Acquisitions, Divestitures and Exchanges

U.S. Cellular assesses its existing wireless interests on an ongoing basis with a goal of improving the competitiveness of its operations and maximizing its long-term return on investments. As part of this strategy, U.S. Cellular reviews attractive opportunities to acquire additional operating markets and wireless spectrum. In addition, U.S. Cellular may seek to divest outright or include in exchanges for other wireless interests those markets and wireless interests that are not strategic to its long-term success.

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On May 9, 2011, U.S. Cellular paid $24.6 million in cash to purchase the remaining ownership interest in a wireless business in which it previously held a 49% noncontrolling interest, pursuant to certain required terms of the partnership agreement. Prior to this acquisition, the partnership had been accounted for under the equity method of accounting. In connection with the acquisition, a $13.4 million gain was recorded to adjust the carrying value of this 49% investment to its fair value of $25.7 million based on an income approach valuation method. The gain was recorded in Gain on investment in the Consolidated Statement of Operations. U.S. Cellular is actively trying to sell this business and, as a result, $60.8 million of assets and $0.9 million of liabilities have been classified in the Consolidated Balance Sheet as held for sale . Included in Assets held for sale are $15.9 million of Current assets, $36.5 million of Investments (primarily licenses) and $8.4 million of Property, plant and equipment. Liabilities held for sale primarily includes Current liabilities. For the period since acquisition, this business generated revenues of $13.2 million and operating income of $9.6 million.

On September 30, 2011, U.S. Cellular completed an exchange whereby U.S. Cellular received eighteen 700 MHz spectrum licenses covering portions of Idaho, Illinois, Indiana, Kansas, Nebraska, Oregon and Washington in exchange for two PCS spectrum licenses covering portions of Illinois and Indiana. The exchange of licenses will provide U.S. Cellular with additional spectrum to meet anticipated future capacity and coverage requirements in several of its markets. No cash, customers, network assets or other assets or liabilities were included in the exchange. As a result of this transaction, U.S. Cellular recognized a gain of $11.8 million, representing the difference between the fair value, calculated using a market approach valuation method, and the carrying value of the licenses surrendered. This gain was recorded in (Gain) loss on asset disposals and exchanges, net in the Consolidated Statement of Operations for the three and nine months ended September 30, 2011. The Indiana PCS spectrum included in the exchange was originally awarded to Carroll Wireless in Federal Communications Commission (FCC) Auction 58 and was purchased by U.S. Cellular prior to the exchange. Carroll Wireless is a variable interest entity which U.S. Cellular consolidates; see Note 11 Variable Interest Entities (VIEs) for additional information.

Acquisitions and exchanges did not have a material impact in U.S. Cellular s consolidated financial statements for the periods presented and pro forma results, assuming acquisitions and exchanges had occurred at the beginning of each period presented, would not be materially different from the results reported.

U.S. Cellular s acquisitions during the nine months ended September 30, 2011 and 2010 and the allocation of the purchase price for these acquisitions were as follows:

		Allocation of Purchase Price			
(Dollars in thousands)	**Purchase price (1)**	**Goodwill (2)**	**Licenses**	**Intangible assets subject to amortization (3)**	**Net tangible assets/ (liabilities)**
2011					
Licenses	$ 4,406	$	$ 4,406	$	$
Businesses (4)	24,572		15,592	2,252	6,728
Total	$ 28,978	$	$ 19,998	$ 2,252	$ 6,728
2010					
Licenses	$ 10,501	$	$ 10,501	$	$
Total	$ 10,501	$	$ 10,501	$	$

(1) Cash amounts paid for acquisitions may differ from the purchase price due to cash acquired in the transactions and the timing of cash payments related to the respective transactions.

(2) No goodwill was amortizable for income tax purposes.

(3) Intangible assets subject to amortization are classified as Assets held for sale and as a result are not amortized.

(4) Includes only the acquired interest and does not include amounts attributable to U.S. Cellular s pre-existing noncontrolling interest described above in this Note 6.

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7. Licenses and Goodwill

Changes in U.S. Cellular s licenses and goodwill for the nine months ended September 30, 2011 and 2010 are presented below.

Licenses

(Dollars in thousands)	September 30, 2011	September 30, 2010
Balance, beginning of period	$ 1,452,101	$ 1,435,000
Acquisitions (1)	4,406	10,501
Exchanges	11,842	
Other	2,201	
Balance, end of period	$ 1,470,550	$ 1,445,501

Goodwill

(Dollars in thousands)	September 30, 2011	September 30, 2010
Assigned value at time of acquisition	$ 494,737	$ 494,737
Accumulated impairment losses in prior periods		
Balance, beginning of period	494,737	494,737
Acquisitions		
Balance, end of period	$ 494,737	$ 494,737

(1) Does not include amounts reported as Assets held for sale in the Consolidated Balance Sheet.

Goodwill and Licenses Impairment Assessment

Goodwill and licenses must be assessed for impairment annually or more frequently if events or changes in circumstances indicate that such assets might be impaired. U.S. Cellular performs annual impairment testing of goodwill and licenses, as required by GAAP, in the fourth quarter of its fiscal year, based on fair values and net carrying values determined as of November 1.

During the third quarter of 2011, the deterioration of macroeconomic conditions and financial markets coupled with a sustained decrease in U.S. Cellular s share price resulted in a triggering event, as defined by GAAP, requiring an interim impairment test of goodwill and licenses as of September 30, 2011. Therefore, U.S. Cellular performed an interim impairment assessment of goodwill and licenses as of September 30, 2011.

The assessment resulted in no impairment of either goodwill or licenses.

8. Investments in Unconsolidated Entities

Investments in unconsolidated entities consist of amounts invested in wireless entities in which U.S. Cellular holds a noncontrolling interest. These investments are accounted for using either the equity or cost method.

Equity in earnings of unconsolidated entities totaled $21.9 million and $24.0 million in the three months ended September 30, 2011 and 2010, respectively, and $65.3 million and $74.4 million in the nine months ended September 30, 2011 and 2010, respectively; of those amounts, U.S. Cellular s investment in the Los Angeles SMSA Limited Partnership (LA Partnership) contributed $16.6 million and $16.1 million in the three months ended September 30, 2011 and 2010, respectively, and $43.7 million and $49.5 million in the nine months ended September 30, 2011 and 2010, respectively. U.S. Cellular held a 5.5% ownership interest in the LA Partnership during these periods.

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The following table, which is based on information provided in part by third parties, summarizes the combined results of operations of U.S. Cellular s equity method investments:

(Dollars in thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Revenues	$ 1,387,000	$ 1,260,000	$ 4,066,000	$ 3,680,000
Operating expenses	1,034,000	908,000	3,099,000	2,613,000
Operating income	353,000	352,000	967,000	1,067,000
Other income	1,000	8,000	3,000	28,000
Net income	$ 354,000	$ 360,000	$ 970,000	$ 1,095,000

9. Debt

In May 2011, U.S. Cellular issued $342 million aggregate principal amount of unsecured 6.95% senior notes due May 2060. Interest on the notes is payable quarterly. U.S. Cellular may redeem the notes, in whole or in part, at any time on or after May 15, 2016, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest. Capitalized debt issuance costs totaled $11.0 million and will be amortized over the life of the notes. Such issuance costs are included in Other assets and deferred charges (a long-term asset account) at September 30, 2011.

U.S. Cellular used substantially all of the net proceeds from the issuance of the 6.95% senior notes to redeem $330 million (the entire outstanding amount) of its unsecured 7.5% senior notes on June 20, 2011 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to the redemption date. This redemption required U.S. Cellular to write-off $8.2 million of previously capitalized debt issuance costs related to the 7.5% senior notes; the write-off was included in Interest expense in the Consolidated Statement of Operations for the period ended September 30, 2011.

10. Commitments, Contingencies and Other Liabilities

Agreements

As previously disclosed, on August 17, 2010, U.S. Cellular and Amdocs Software Systems Limited (Amdocs) entered into a Software License and Maintenance Agreement (SLMA) and a Master Service Agreement (MSA) (collectively, the Amdocs Agreements) to develop a Billing and Operational Support System (B/OSS). Pursuant to an updated Statement of Work dated July 6, 2011, the implementation of B/OSS is expected to take until 2013 to complete and payments to Amdocs are estimated to be approximately $122 million (subject to certain potential adjustments). The $122 million will be paid in installments through the second half of 2013. As of September 30, 2011, $22.8 million had been paid to Amdocs.

Indemnifications

U.S. Cellular enters into agreements in the normal course of business that provide for indemnification of counterparties. The terms of the indemnifications vary by agreement. The events or circumstances that would require U.S. Cellular to perform under these indemnities are transaction specific; however, these agreements may require U.S. Cellular to indemnify the counterparty for costs and losses incurred from litigation or claims arising from the underlying transaction. U.S. Cellular is unable to estimate the maximum potential liability for these types of indemnifications as the amounts are dependent on the outcome of future events, the nature and likelihood of which cannot be determined at this time. Historically, U.S. Cellular has not made any significant indemnification payments under such agreements.

Legal Proceedings

U.S. Cellular is involved or may be involved from time to time in legal proceedings before the FCC, other regulatory authorities, and/or various state and federal courts. If U.S. Cellular believes that a loss arising from such legal proceedings is probable and can be reasonably estimated, an amount is accrued in the financial statements for the estimated loss. If only a range of loss can be determined, the best estimate within that range is accrued; if none of the estimates within that range is better than another, the low end of the range is accrued. The assessment of the expected outcomes of legal proceedings is a highly subjective process that requires judgments about future events. The legal proceedings are reviewed at least quarterly to determine the adequacy of accruals and related financial statement disclosures. The ultimate outcomes of legal proceedings could differ materially from amounts accrued in the financial statements.

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U.S. Cellular has accrued $1.6 million and $1.5 million with respect to legal proceedings and unasserted claims as of September 30, 2011 and December 31, 2010. U.S. Cellular has not accrued any amount for legal proceedings if it cannot estimate the amount of the possible loss or range of loss. U.S. Cellular does not believe that the amount of any contingent loss in excess of the amounts accrued would be material.

11. Variable Interest Entities (VIEs)

From time to time, the FCC conducts auctions through which additional spectrum is made available for the provision of wireless services. U.S. Cellular participated in spectrum auctions indirectly through its interests in Aquinas Wireless L.P. (Aquinas Wireless), King Street Wireless L.P. (King Street Wireless), Barat Wireless L.P. (Barat Wireless) and Carroll Wireless L.P. (Carroll Wireless), collectively, the limited partnerships. Each limited partnership participated in and was awarded spectrum licenses in one of four separate spectrum auctions (FCC Auctions 78, 73, 66, and 58). Each limited partnership qualified as a designated entity and thereby was eligible for bidding credits with respect to licenses purchased in accordance with the rules defined by the FCC for each auction. In most cases, the bidding credits resulted in a 25% discount from the gross winning bid.

Consolidated VIEs

As of September 30, 2011, U.S. Cellular consolidates the following VIEs under GAAP:

- Aquinas Wireless;
- King Street Wireless and King Street Wireless, Inc., the general partner of King Street Wireless;
- Barat Wireless and Barat Wireless, Inc., the general partner of Barat Wireless; and
- Carroll Wireless and Carroll PCS, Inc., the general partner of Carroll Wireless.

U.S. Cellular holds a variable interest in the entities listed above. It has made capital contributions and/or advances to these entities. The power to direct the activities of the VIEs that most significantly impact their economic performance is shared. Specifically, the general partner of each of these VIEs has the exclusive right to manage, operate and control the limited partnerships and make all decisions to carry on the business of the partnerships; however, the general partner of each partnership needs consent of the limited partner, a U.S. Cellular subsidiary, to sell or lease certain licenses, to make certain large expenditures, admit other partners or liquidate the limited partnerships. Although the power to direct the activities of the VIEs is shared, U.S. Cellular has a disproportionate level of exposure to the variability associated with the economic performance of the VIEs, indicating that U.S. Cellular is the primary beneficiary of the VIEs in accordance with GAAP. Accordingly, these VIEs are consolidated. U.S. Cellular s capital contributions and advances made to these VIEs totaled $15.8 million and $1.2 million in the nine months ended September 30, 2011 and 2010, respectively.

The following table presents the classification of the consolidated VIEs assets and liabilities in U.S. Cellular s Consolidated Balance Sheet.

(Dollars in thousands)		September 30, 2011		December 31, 2010
Assets				
Cash	$	27,884	$	1,673
Other current assets		119		323
Licenses		485,261		487,962
Property, plant and equipment		5,009		1,548
Other assets and deferred charges		1,260		
Total assets	$	519,533	$	491,506
Liabilities				
Other current liabilities	$	29	$	95
Total liabilities	$	29	$	95

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Other Related Matters

U.S. Cellular may agree to make additional capital contributions and/or advances to the VIEs discussed above and/or to their general partners to provide additional funding for the development of licenses granted in the various auctions. U.S. Cellular may finance such amounts with a combination of cash on hand, borrowings under its revolving credit agreement and/or long-term debt. There is no assurance that U.S. Cellular will be able to obtain additional financing on commercially reasonable terms or at all to provide such financial support.

These VIEs are in the process of developing long-term business plans. These entities were formed to participate in FCC auctions of wireless spectrum and to fund, establish, and provide wireless service with respect to any FCC licenses won in the auctions. As such, these entities have risks similar to the business risks described in the Risk Factors in U.S. Cellular s Form 10-K for the year ended December 31, 2010.

U.S. Cellular purchased PCS spectrum from Carroll Wireless in the third quarter of 2011. See Note 6 Acquisitions, Divestitures and Exchanges for additional information.

12. Common Share Repurchases

On November 17, 2009, the Board of Directors of U.S. Cellular authorized the repurchase of up to 1,300,000 Common Shares on an annual basis beginning in 2009 and continuing each year thereafter, on a cumulative basis. These purchases will be made pursuant to open market purchases, block purchases, private purchases, or otherwise, depending on market prices and other conditions. This authorization does not have an expiration date.

Share repurchases made under this authorization were as follows:

	Nine Months Ended September 30,	
(Dollars and shares in thousands, except cost per share)	**2011**	**2010**
Number of shares	1,276	970
Average cost per share	$ 48.82	$ 41.79
Total cost	$ 62,294	$ 40,520

13. Noncontrolling Interests

Mandatorily Redeemable Noncontrolling Interests in Finite-Lived Subsidiaries

U.S. Cellular s consolidated financial statements include certain noncontrolling interests that meet the GAAP definition of mandatorily redeemable financial instruments. These mandatorily redeemable noncontrolling interests represent interests held by third parties in consolidated partnerships and limited liability companies (LLCs), where the terms of the underlying partnership or LLC agreement provide for a defined termination date at which time the assets of the subsidiary are to be sold, the liabilities are to be extinguished and the remaining net proceeds are to be distributed to the noncontrolling interest holders and U.S. Cellular in accordance with the respective partnership and LLC agreements. The termination dates of these mandatorily redeemable noncontrolling interests range from 2085 to 2107.

The settlement value or estimate of cash that would be due and payable to settle these noncontrolling interests assuming an orderly liquidation of the finite-lived consolidated partnerships and LLCs on September 30, 2011, net of estimated liquidation costs, is $166.5 million. This amount excludes redemption amounts recorded in Noncontrolling interests with redemption features in the Consolidated Balance Sheet. The estimate of settlement value was based on certain factors and assumptions which are subjective in nature. Changes in those factors and assumptions could result in a materially larger or smaller settlement amount. U.S. Cellular currently has no plans or intentions relating to the liquidation of any of the related partnerships or LLCs prior to their scheduled termination dates. The corresponding carrying value of the mandatorily redeemable noncontrolling interests in finite-lived consolidated partnerships and LLCs at September 30, 2011 was $65.5 million, and is included in Noncontrolling interests in the Consolidated Balance Sheet. The excess of the aggregate settlement value over the aggregate carrying value of these mandatorily redeemable noncontrolling interests is primarily due to the unrecognized appreciation of the noncontrolling interest holders share of the underlying net assets in the consolidated partnerships and LLCs. Neither the noncontrolling interest holders share, nor U.S. Cellular s share, of the appreciation of the underlying net assets of these subsidiaries is reflected in the consolidated financial statements.

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14. Supplemental Cash Flow Disclosures

Following are supplemental cash flow disclosures regarding transactions related to stock-based compensation awards:

(Dollars and shares in thousands)		**Nine Months Ended September 30, 2011**		**2010**
Common Shares withheld (1)		120		269
Aggregate value of Common Shares withheld	$	5,942	$	11,597
Cash receipts upon exercise of stock options	$	5,258	$	2,621
Cash disbursements for payment of taxes (2)		(3,503)		(1,883)
Net cash receipts from exercise of stock options and vesting of other stock awards	$	1,755	$	738

(1) Such shares were withheld to cover the exercise price of stock options, if applicable, and required tax withholdings.

(2) In certain situations, U.S. Cellular withholds shares that are issuable upon the exercise of stock options or the vesting of restricted shares to cover, and with a value equivalent to, the exercise price and/or the amount of taxes required to be withheld from the stock award holder at the time of the exercise or vesting. U.S. Cellular then pays the amount of the required tax withholdings to the taxing authorities in cash.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

United States Cellular Corporation (U.S. Cellular) owns, operates and invests in wireless markets throughout the United States. U.S. Cellular is an 84%-owned subsidiary of Telephone and Data Systems, Inc. (TDS) as of September 30, 2011.

U.S. Cellular provides wireless telecommunications services to approximately 5.9 million customers in five geographic market areas in 26 states. As of September 30, 2011, U.S. Cellular s average penetration rate in its consolidated operating markets was 12.7%. U.S. Cellular operates on a customer satisfaction strategy, striving to meet or exceed customer needs by providing a comprehensive range of wireless products and services, excellent customer support, and a high-quality network.

The following discussion and analysis should be read in conjunction with U.S. Cellular s interim consolidated financial statements and notes included in Item 1 above, and with the description of U.S. Cellular s business, its audited consolidated financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included in U.S. Cellular s Annual Report on Form 10-K (Form 10-K) for the year ended December 31, 2010.

OVERVIEW

The following is a summary of certain selected information contained in the comprehensive Management s Discussion and Analysis of Financial Condition and Results of Operations that follows. The overview does not contain all of the information that may be important. You should carefully read the entire Management s Discussion and Analysis of Financial Condition and Results of Operations and not rely solely on the overview.

Financial and operating highlights in the nine months ended September 30, 2011 included the following:

- Total customers were 5,932,000 at September 30, 2011, including 5,621,000 retail customers.

- On October 1, 2010, U.S. Cellular launched The Belief Project which introduced several innovative service offerings including no contract after the first contract; simplified national rate plans; a loyalty rewards program; overage protection, caps and forgiveness; a phone replacement program; and discounts for paperless billing and automatic payment. As of September 30, 2011, 2.8 million new and existing customers had subscribed to the new Belief Plans, up from 2.3 million as of June 30, 2011.

- Retail customer net losses were 112,000 in 2011 compared to net additions of 6,000 in 2010. In the postpaid category, there was a net loss of 97,000 in 2011 compared to a net loss of 56,000 in 2010. Prepaid net losses were 15,000 in 2011 compared to net additions of 62,000 in 2010.

• Postpaid customers comprised approximately 95% of U.S. Cellular s retail customers as of September 30, 2011. The postpaid churn rate improved to 1.4% in 2011 compared to 1.5% in 2010.

• Postpaid customers on smartphone service plans increased to 26% as of September 30, 2011 compared to 12% as of September 30, 2010. Smartphones represented 41% of all devices sold in 2011 compared to 19% in 2010.

• Service revenues of $3,023.8 million increased $102.7 million year-over-year, primarily due to increases in inbound roaming revenues and eligible telecommunications carrier (ETC) revenues.

• Cash flows from operating activities were $777.6 million. At September 30, 2011, Cash and cash equivalents and Short-term investments totaled $615.7 million and there were no outstanding borrowings under the revolving credit facility.

• Additions to Property, plant and equipment totaled $506.1 million, including expenditures to construct cell sites, increase capacity in existing cell sites and switches, outfit new and remodel existing retail stores, develop new billing and other customer management related systems and platforms, and enhance existing office systems. Total cell sites in service increased 4% year-over-year to 7,828.

• U.S. Cellular continued its efforts on a number of multi-year initiatives including the development of a Billing and Operational Support System (B/OSS) with a new point-of-sale system to consolidate billing on one platform; an Electronic Data Warehouse/Customer Relationship Management System to collect and analyze information more efficiently and thereby build and improve customer relationships; and a new Internet/Web platform to enable customers to complete a wide range of transactions and to manage their accounts online.

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- Operating income increased $58.9 million, or 29%, to $264.5 million in 2011 from $205.5 million in 2010. The primary reason for the increase was higher service revenues as discussed above. Such higher service revenues were partially offset by increased system operations expenses driven by increased data use and an increase in loss on equipment (defined as equipment sales revenue less cost of equipment sold) driven by increased smartphone sales.

- On September 30, 2011, U.S. Cellular completed a license exchange agreement that will provide additional spectrum to meet anticipated future capacity and coverage requirements in several of its markets. No cash, customers, network assets or other assets or liabilities were included in the exchange. As a result of this transaction, U.S. Cellular recognized a gain of $11.8 million. See Note 6 Acquisitions, Divestitures and Exchanges for additional details.

- U.S. Cellular, taking advantage of lower interest rates, sold $342 million of 6.95% unsecured senior notes due 2060 on May 16, 2011 and used the proceeds to redeem $330 million of 7.5% unsecured senior notes due 2034 on June 20, 2011. See Note 9 Debt for additional details.

- On May 9, 2011, U.S. Cellular paid $24.6 million in cash to purchase the remaining ownership interest in a wireless business in which it previously held a noncontrolling interest. In connection with this transaction, U.S. Cellular recognized a gain of $13.4 million. See Note 6 Acquisitions, Divestitures and Exchanges for additional details.

- Net income attributable to U.S. Cellular shareholders increased $43.9 million, or 34%, to $172.2 million in 2011 compared to $128.3 million in 2010, primarily due to higher operating income. Basic earnings per share was $2.03 in 2011, which was $0.54 higher than in 2010, and Diluted earnings per share was $2.02, which was $0.54 higher than in 2010.

U.S. Cellular anticipates that its future results will be affected by the following factors:

- Relative ability to attract and retain customers in a competitive marketplace in a cost effective manner;

- The Belief Project, which is intended to accelerate growth and have a positive impact on long-term profitability by increasing postpaid gross additions over the next several years and by contributing to incremental growth in average revenue per customer and improvement of U.S. Cellular s already low postpaid churn rate;

- Continued uncertainty related to current economic conditions and their impact on customer purchasing and payment behaviors;

- A shift in the mix of new customer additions in the wireless industry from postpaid to prepaid customers, who generally generate lower average monthly service revenue per customer;

- Rapid growth in the demand for new data devices and services which may result in increased cost of equipment sold and other operating expenses and the need for additional investment in network capacity;

- Increased competition in the wireless industry, including potential reductions in pricing for products and services overall and impacts associated with the expanding presence of carriers offering low-priced, unlimited prepaid service, and emerging fourth generation technologies such as Long-term Evolution (LTE) and WiMax;

- Increasing penetration in the wireless industry, requiring U.S. Cellular to grow revenues primarily from selling additional products and services to its existing customers, increasing the number of multi-device users among its existing customers, increasing data products and services and attracting wireless customers switching from other wireless carriers;

- Continued growth in revenues and costs related to data products and services and lower growth or declines in revenues from voice services;

- Effects on industry competition of ongoing industry consolidation;

- Costs of developing and enhancing office and customer support systems, including costs and risks associated with the completion and potential benefits of the multi-year initiatives described above;

- Continued enhancements to U.S. Cellular s wireless networks to meet the rapid increase in demand for data services from its customers. These enhancements include expansion of its current network and an upgrade to LTE technology with attendant costs and risks;

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- Uncertainty related to various rulemaking proceedings underway at the Federal Communications Commission (FCC), including uncertainty relating to the impacts on universal service funding, intercarrier compensation and other matters of the *Connect America Fund & Intercarrier Compensation Reform Order and Further Notice of Proposed Rulemaking* issued by the FCC on October 27, 2011;

- The FCC s adoption of mandatory roaming rules which will be of assistance in the negotiation of data roaming agreements with other wireless operators in the future; and

- Arrangements between manufacturers of wireless devices and other carriers that preclude or delay U.S. Cellular s access to devices desired by customers.

Cash Flows and Investments

U.S. Cellular believes that existing cash and investments balances, expected future cash flows from operating activities and sources of external financing provide substantial liquidity and financial flexibility and are sufficient to permit U.S. Cellular to finance its contractual obligations and anticipated capital expenditures for the foreseeable future. U.S. Cellular continues to seek to maintain a strong balance sheet and an investment grade credit rating.

See Financial Resources and Liquidity and Capital Resources below for additional information related to cash flows and investments.

2011 Estimates

U.S. Cellular s current estimates of full-year 2011 results are shown below. Such estimates represent U.S. Cellular s views as of the date of filing of U.S. Cellular s Quarterly Report on Form 10-Q (Form 10-Q) for the quarterly period ended September 30, 2011. Such forward-looking statements should not be assumed to be accurate as of any future date. U.S. Cellular undertakes no duty to update such information whether as a result of new information, future events or otherwise. There can be no assurance that final results will not differ materially from such estimated results.

	Current Estimates	Previous Estimates (1)
Service revenues	$4,000-$4,100 million	Unchanged
Operating income (2)(3)	$230-$305 million	