

**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, 2015

OR

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

Commission file number 001-09712



UNITED STATES CELLULAR CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware

62-1147325

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

8410 West Bryn Mawr, Chicago, Illinois 60631

(Address of principal executive offices) (Zip code)

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

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
6.95% Senior Notes Due 2060
7.25% Senior Notes Due 2063
7.25% Senior Notes Due 2064

New York Stock Exchange
New York Stock Exchange
New York Stock Exchange
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 Accelerated filer Non-accelerated filer 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 No

As of June 30, 2015, the aggregate market value of the registrant's Common Shares held by non-affiliates was approximately \$506.1 million, based upon the closing price of the Common Shares on June 30, 2015 of \$37.67, as reported by the New York Stock Exchange. For purposes 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 31, 2016, is 51,316,000 Common Shares, \$1 par value, and 33,006,000 Series A Common Shares, \$1 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Those sections or portions of the registrant's 2015 Annual Report to Shareholders ("Annual Report"), filed as Exhibit 13 hereto, and of the registrant's Notice of Annual Meeting of Shareholders and Proxy Statement ("Proxy Statement") to be filed prior to April 29, 2016 for the 2016 Annual Meeting of Shareholders scheduled to be held May 24, 2016, are herein 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, 2015

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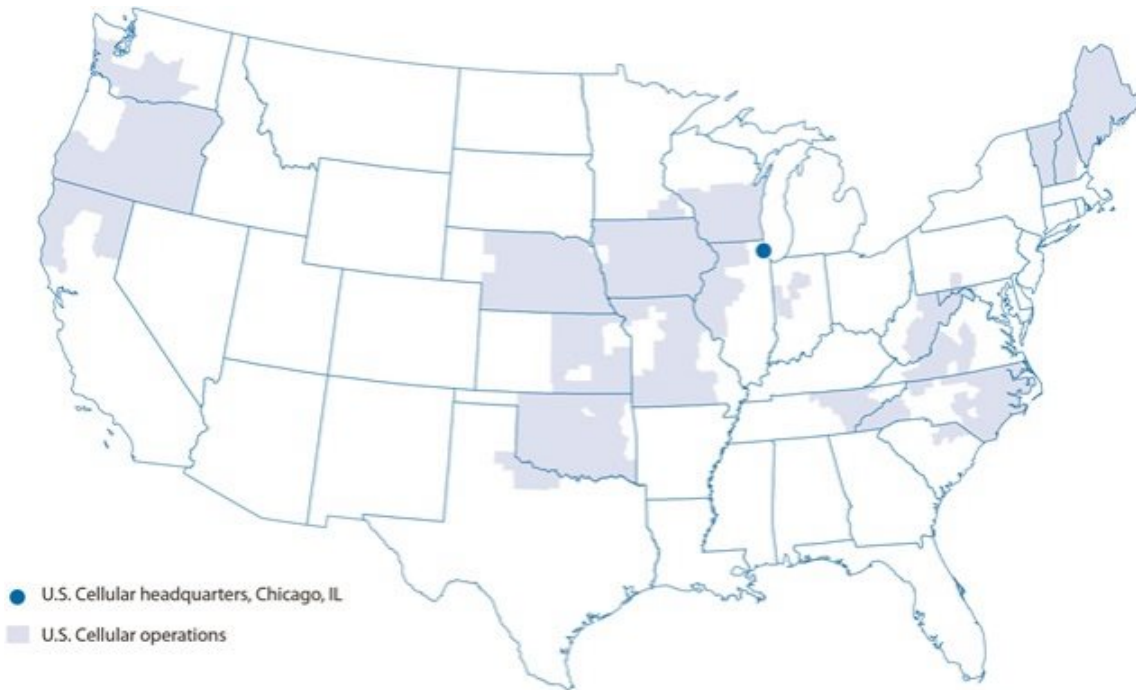
Item 1. Business

General

United States Cellular Corporation (“U.S. Cellular”) provides wireless telecommunications services to approximately 4.9 million customers in 23 states, collectively representing a total population of 32.0 million. U.S. Cellular operates in one reportable segment, and all of its wireless operating markets are in the United States.

- U.S. Cellular’s strategy is to attract and retain wireless customers through a value proposition comprised of a high-quality network, outstanding customer service, and competitive devices, plans, and pricing, all provided with a local focus.
- U.S. Cellular Common Shares trade on the New York Stock Exchange (“NYSE”) under the ticker symbol “USM”.
- U.S. Cellular is a majority-owned subsidiary of Telephone and Data Systems, Inc. (NYSE: TDS). TDS owns 84% of U.S. Cellular common stock, has the voting power to elect all of the directors of U.S. Cellular and controls over 96% of the voting power in matters other than the election of directors of U.S. Cellular.
- U.S. Cellular was incorporated under the laws of the state of Delaware in 1983.

The map below highlights areas of operation of U.S. Cellular’s consolidated operating markets.



Customers, Services and Products

Customers. U.S. Cellular provides service to postpaid and prepaid customers from a variety of demographic segments. U.S. Cellular focuses on retail consumers, government, and small-to-mid-size business customers in industries such as construction, retail, professional services and real estate. These customers are served primarily through U.S. Cellular’s retail and direct sales channels. U.S. Cellular builds customer loyalty by offering high-quality network services, outstanding customer - focused support services, effective pricing, and other benefits as discussed further in “Marketing, Customer Service, and Sales and Distribution Channels.”

Services. U.S. Cellular’s postpaid customers are able to choose from a variety of national plans with voice, messaging and data usage options and pricing that are designed to fit different customer needs, usage patterns and budgets. Helping a customer find the right pricing plan is an important element of U.S. Cellular’s brand positioning. U.S. Cellular offers Shared Connected data plans which allow customers to share data usage among all users and devices connected to the plan. Business rate plans are designed to meet the unique needs of the business customer. U.S. Cellular’s national plans price all domestic calls as local calls, regardless of where they are made or received in the United States, with no long distance or roaming charges, and can do so through the existence of roaming partnerships. U.S. Cellular also offers monthly prepaid service plans, which provide customers unlimited voice and unlimited messaging with a specified amount of high - speed data and unlimited data at lower speeds once the high - speed data limit is reached to ensure customers are never without data access.

U.S. Cellular's portfolio of smartphones, tablets and other connected devices is a key part of its strategy to deliver wireless devices which allow customers to stay productive, entertained and connected on the go ; these devices are backed by U.S. Cellular's high-speed networks, including a fourth generation (" 4G ") Long-Term Evolution (" LTE ") network, which, as of December 31, 2015 , covered 99% of its postpaid customers and supports nationwide roaming . U.S. Cellular's 4G LTE network features smartphone messaging, data and internet services that allow customers to access the web and social network sites, e-mail, text, picture and video message, utilize turn-by-turn GPS navigation, and browse and download thousands of applications to customize their wireless devices to fit their lifestyles.

In 2015, U.S. Cellular expanded its solutions to business and government customers, including a growing suite of machine to machine solutions across the categories of monitor and control (e.g. , sensors and cameras), business automation/operations (e.g. , e-forms), communication (e.g. , back-up router for business continuity services) and asset management (e.g. , fleet management). U.S. Cellular intends to continue to further enhance its advanced wireless services and connected solutions for consumer and business customers in 2016 and beyond.

Devices and Products. U.S. Cellular offers a comprehensive range of wireless devices such as handsets, modems, mobile hotspots, home phones and tablets for use by its customers. U.S. Cellular offers wireless devices that are compatible with most of its 4G LTE and third generation (" 3G ") networks and all are compliant with the Federal Communications Commission ("FCC") enhanced wireless 911 requirements. In addition, U.S. Cellular offers a wide range of accessories, significantly expanding the breadth of products offered, from wireless basics such as carrying cases, hands-free devices, batteries, battery chargers, and memory cards to related consumer electronics such as headphones, speakers, and Bluetooth keyboards. U.S. Cellular also sells wireless devices to agents and other third-party distributors for resale. U.S. Cellular frequently discounts wireless devices sold to new and current customers in order to attract new customers or to retain existing customers by reducing the cost of becoming or remaining a wireless customer . U.S. Cellular also offers customers the option to purchase certain devices under installment contracts over a specified time period while providing a discount on their connection charge . For certain installment plans, after a specified period of time, the customer may have the right to upgrade to a new device, thus enabling customers to more easily access the latest smartphones and provide a better overall customer experience.

U.S. Cellular continues to offer several programs that allow the customer to receive a replacement device through a retail store or through direct mail. U.S. Cellular also offers its Device Protection+ program which includes overnight delivery while continuing to provide customers peace of mind by covering lost and stolen devices.

The devices offered include a full array of value and iconic smartphones and feature phones. During 2015, U.S. Cellular continued to bolster its expanding smartphone and tablet portfolio with Android wireless devices and tablets such as the Samsung Galaxy S6 and S6 Edge+, Samsung Galaxy Note 5, LG G4, Motorola G LTE, Samsung Galaxy Tab S2, and LG Gpad 8.0, and Apple products such as the iPhone 6S, iPhone 6S Plus, and the full complement of iPads. U.S. Cellular's smartphone offerings play a significant role in driving data service usage and revenues. U.S. Cellular also offered additional products and services including LTE wireless routers and hotspots for broadband coverage as well as home phones and OnLook connected home.

U.S. Cellular purchases wireless devices and accessory products from a number of manufacturers, including Samsung, Apple, Motorola, LG, Superior Communications, Kyocera, ZTE, Tescor, and Sierra Wireless. U.S. Cellular negotiates volume discounts with its suppliers and works with them in promoting specific equipment in its local advertising. U.S. Cellular does not own significant product warehousing and distribution infrastructure. Instead, it contracts with third party providers for substantially all of its product warehousing, distribution and direct customer fulfillment activities. U.S. Cellular also contracts with third party providers for services related to its device replacement programs.

U.S. Cellular continuously monitors the financial condition of its wireless device and accessory suppliers. Because U.S. Cellular purchases wireless devices and accessories from numerous suppliers, U.S. Cellular does not expect the financial condition of any single supplier to affect its ability to offer a competitive variety of wireless devices and accessories for sale to customers.

Marketing, Customer Service, and Sales and Distribution Channels

Marketing and Advertising. U.S. Cellular's marketing plan is focused on acquiring, retaining and growing customer relationships by maintaining a high-quality wireless network, providing outstanding customer service, and offering a comprehensive portfolio of products and services built around customer needs at fair prices.

U.S. Cellular believes that creating positive relationships with its customers enhances their wireless experience and builds customer loyalty. U.S. Cellular currently offers several customer-centric programs and services to customers. The Overage Protection service provides customers peace of mind by sending them text message alerts when they come close to reaching their allowable monthly plan minutes, text messages or data usage in order to avoid overage charges. With the launch of Shared Data plans, whereby customers select the size of the data bucket to share among all of their lines/devices, U.S. Cellular also offers a service to allow customers to limit data usage on specific lines – or for the entire account – thereby providing controls to manage account overages. This service, Data Usage Controls, allows customers an easy way to split up their data bucket by line.

U.S. Cellular increases consumer awareness using media such as television, radio, newspaper, direct mail advertising, digital, social media, and sponsorships. U.S. Cellular has achieved its current level of penetration of its markets through a combination of a strong brand position, promotional advertising, broad distribution, maintaining a high-quality wireless network and providing outstanding customer service. U.S. Cellular's advertising is directed at increasing the public awareness and understanding of the wireless services it offers, improving potential customers' awareness of the U.S. Cellular brand, attracting and retaining customers, and increasing existing customers' usage of U.S. Cellular's services. U.S. Cellular attempts to select the advertising and promotional media that are most appealing to the targeted groups of potential customers in each local market. U.S. Cellular supplements its advertising with a focused public relations program that drives store traffic, supports sales of products and services, and builds brand awareness and preference. The approach combines national and local media relations in mainstream and social media channels with market-wide activities, events, and sponsorships. U.S. Cellular focuses its charitable giving strategy on supporting initiatives relevant to consumers in its service areas. These initiatives include support of programs that focus on youth in the communities U.S. Cellular serves, such as the Boys and Girls Clubs and 4H Societies of America.

Customer Service. U.S. Cellular manages customer retention by focusing on outstanding customer service through the development of processes that are customer-friendly, extensive training of frontline sales and support associates and the implementation of retention programs.

U.S. Cellular currently operates four regional customer care centers in its operating markets with personnel who are responsible for customer service activities, and a national financial services center with personnel who perform credit and other customer payment activities. U.S. Cellular also contracts with third parties that provide additional customer care and financial services support.

Sales and Distribution Channels. U.S. Cellular supports a multi-faceted distribution program, including retail sales, direct sales, third-party national retailers, and independent agents, plus a website and telesales.

Company retail store locations are designed to market wireless products and services to the consumer and small business segments in a setting familiar to these types of customers. As of December 31, 2015, retail sales associates work in approximately 270 U.S. Cellular-operated retail stores and kiosks. Direct sales consultants market wireless services to mid-size business customers. Additionally, the U.S. Cellular website enables customers to activate service and purchase wireless devices online.

U.S. Cellular maintains an ongoing training program to improve the effectiveness of retail sales associates and direct sales consultants by focusing their efforts on obtaining customers by facilitating the sale of appropriate packages for the customer's expected usage and value-added services that meet the individual needs of the customer.

U.S. Cellular has relationships with exclusive and non-exclusive agents, which are independent businesses that obtain customers for U.S. Cellular on a commission basis. At December 31, 2015, U.S. Cellular had contracts with these businesses aggregating 580 locations. U.S. Cellular provides additional support and training to its exclusive agents to increase customer satisfaction and to ensure a consistent customer experience. U.S. Cellular's agents are generally in the business of selling wireless devices, wireless service packages and other related products. No single agent accounted for 10% or more of U.S. Cellular's operating revenues during the past three years.

Since 2013, U.S. Cellular has expanded its distribution through third-party national and on-line retailers. Wal-Mart, Sam's Club, and Dollar General offer U.S. Cellular products and services at select retail locations in U.S. Cellular's service areas. Further, Amazon offers U.S. Cellular's postpaid and prepaid services online. U.S. Cellular continues to explore new relationships with additional third-party retailers as part of its strategy to expand distribution.

Seasonality. There is seasonality in operating expenses, which tend to be higher in the fourth quarter than in the other quarters due to increased marketing and promotional activities during the holiday season, which may cause operating income to vary from quarter to quarter.

Competition

The wireless telecommunication industry is highly competitive. U.S. Cellular competes directly with several wireless service providers in each of its markets. In general, there are between two and four competitors in each wireless market in which U.S. Cellular provides service, excluding resellers and mobile virtual network operators. In its footprint, U.S. Cellular competes to varying degrees against each of the national wireless companies: Verizon Wireless, AT&T Mobility, Sprint, and T-Mobile USA, in addition to a few smaller regional carriers in specific areas of its footprint. Verizon is U.S. Cellular's largest competitor, in terms of both customer acquisition opportunities and customer defection risk in the majority of its markets. However, all of the national competitors have substantially greater financial and other resources than U.S. Cellular. Additionally, U.S. Cellular competes with other companies that use alternative communication technology and services to provide similar products and services.

Since each of these wireless competitors operates on systems using spectrum licensed by the FCC and has comparable technology and facilities, competition among wireless service providers for customers is principally on the basis of types of products and services, price, size of area covered, network quality, network speed and responsiveness of customer service. U.S. Cellular employs a customer satisfaction strategy that includes maintaining an outstanding wireless network throughout its markets. U.S. Cellular owns and operates low-band spectrum (less than 1 GHz) that covers the majority of its footprint and enables more efficient, superior coverage in rural areas (compared to spectrum above 1 GHz), which strengthens its network quality positioning. As discussed below, the FCC will be auctioning low band (600MHz) spectrum in 2016. To the extent existing competitors or new entrants acquire such spectrum in U.S. Cellular markets, U.S. Cellular could face increased competition over time from competitors that hold such more-efficient and superior low-band spectrum.

The use of national advertising and promotional programs by the top four wireless service providers is a source of additional competitive and pricing pressures in all U.S. Cellular markets, even if those operators do not provide direct service in a particular market. Over the past year, competition among top carriers has continued to be aggressive, with the top four carriers engaging in rich promotional initiatives including contract buyouts and limited-time and permanent price reductions. In addition, in the current wireless environment, U.S. Cellular's ability to compete depends on its ability to continue to offer national voice and data plans. U.S. Cellular provides wireless services comparable to the national competitors, but the national wireless companies operate in a wider geographic area and are able to offer no-cost roaming over a wider area on their own networks than U.S. Cellular can offer on its network. Although U.S. Cellular offers the same coverage area as these competitors, U.S. Cellular incurs roaming charges for data sessions and calls made in portions of the coverage area which are not part of its network, thereby increasing its cost of operations. U.S. Cellular depends on roaming agreements with other wireless carriers to provide voice and data roaming capabilities in areas not covered by U.S. Cellular's network. Similarly, U.S. Cellular provides roaming services on its network to other wireless carriers' customers who travel within U.S. Cellular's coverage areas.

Convergence of connectivity is taking place on many levels, including dual-mode wireless devices that act as wireless or wireline devices depending on location and the incorporation of wireless "hot spot" technology in wireless devices making internet access seamless regardless of location. Although less directly a substitute for other wireless services, wireless data services such as Wi-Fi may be adequate for those who do not need mobile wide-area roaming or full two-way voice services. Technological advances or regulatory changes in the future, such as the rollout and consumer adoption of Wi-Fi calling and Voice over Long-Term Evolution ("VoLTE") capabilities, may make available other alternatives to current wireless service, thereby creating additional sources of competition that shift consumers' perceptions and preferences of network strength, speed and reliability. If the trend toward convergence continues, U.S. Cellular is at a competitive disadvantage to larger competitors, including the national wireless carriers and other potential large new entrants with much greater financial and other resources in adapting to such convergence.

U.S. Cellular's approach in 2016 and in future years will be to focus on the unique needs and attitudes of its customers towards wireless service. U.S. Cellular will deliver high-quality products and services at competitive prices and intends to continue to differentiate itself by seeking to provide an overall outstanding customer experience, including a high-quality network. U.S. Cellular's ability to compete successfully in the future will depend upon its ability to anticipate and respond to changes related to new service offerings, consumer preferences, competitors' pricing strategies and new product offerings, technology, demographic trends, economic conditions and its access to adequate spectrum resources.

System Usage

U.S. Cellular's main sources of revenues are from its own customers and from customers of competitors who roam on its network. The interoperability of wireless service enables a customer who is in a wireless service area other than the customer's home service area to place or receive a call or use data in that service area. U.S. Cellular has entered into reciprocal roaming agreements with operators of other wireless systems covering virtually all systems with Code Division Multiple Access ("CDMA") technology in the United States, Canada and Mexico. Roaming agreements offer customers the opportunity to roam on these systems. These reciprocal agreements automatically pre-register the customers of U.S. Cellular's systems in the other carriers' systems. In addition, a customer of a participating system roaming in a U.S. Cellular market where this arrangement is in effect is able to make and receive calls or data on U.S. Cellular's system. The charge for this service is negotiated as part of the roaming agreement between U.S. Cellular and the roaming customer's carrier. U.S. Cellular bills this charge to the customer's home carrier, which then may bill the customer. In many instances, based on competitive factors, carriers, including U.S. Cellular, generally do not charge their customers for roaming, or charge lower amounts to their customers than the amounts actually charged to them by other wireless carriers for roaming. Since 2010, U.S. Cellular has offered nationwide 3G data roaming services, allowing its customers to access high-speed data across the country.

U.S. Cellular has entered into 4G LTE roaming agreements with national wireless companies. The FCC's adoption of mandatory 4G LTE roaming rules, which were upheld by the United States Court of Appeals for the District of Columbia, may be of assistance in the negotiation of 4G LTE roaming agreements with other wireless operators in the future. However, technological challenges currently exist which can limit the interoperability of 4G LTE wireless devices on other carriers' networks. Specifically, wireless devices support certain configurations of spectrum frequencies and as a result 4G LTE wireless devices offered by carriers are not necessarily compatible with the networks of other carriers. U.S. Cellular is working with other carriers, original equipment manufacturers and potential LTE roaming vendors to mitigate interoperability issues.

Access Technology and System Design

Technology. Wireless telecommunication systems transmit voice, data, graphics and video through the transmission of signals over networks of radio towers using radio spectrum licensed by the FCC. Access to local, regional, national and worldwide telecommunications networks is provided through system interconnections. A high-quality network, supported by continued investments in that network, will remain an important factor for wireless companies to remain competitive.

U.S. Cellular has deployed 4G LTE technology in conjunction with King Street Wireless L.P. that covered approximately 99% of its postpaid customers as of December 31, 2015. 4G LTE technology enables more network capacity for more data per user as well as faster access to data. In 2015, U.S. Cellular began user trials of its VoLTE service in selected operating markets. VoLTE will allow U.S. Cellular's customers and customers of other wireless carriers that have roaming agreements with U.S. Cellular to utilize U.S. Cellular's LTE network for voice and data services. U.S. Cellular continues to offer services based on 3G technology and CDMA digital technology across its networks.

Through roaming agreements with other CDMA-based wireless carriers, U.S. Cellular's customers may access CDMA service in virtually all areas of the United States, as well as parts of Canada and Mexico. Another digital technology, Global System for Mobile Communication ("GSM"), has a larger installed base of customers worldwide. U.S. Cellular customers now have the ability to roam on GSM carriers with voice, data and SMS in Canada, Mexico and internationally. Both CDMA and GSM technologies are being succeeded by 4G LTE technology. U.S. Cellular customers can also experience nationwide 4G LTE coverage as a result of roaming agreements with national carriers.

System Design and Construction. U.S. Cellular designs and constructs its systems in a manner it believes will permit it to provide high-quality service to substantially all types of compatible wireless devices. Designs are based on engineering studies which relate to specific markets, in support of the larger network. Network reliability is given careful consideration and extensive backup redundancy is employed in many aspects of U.S. Cellular's network design. Route diversity, redundant equipment, ring topology and extensive use of emergency standby power also are used to enhance network reliability and minimize service disruption from any particular network element failure.

In accordance with its strategy of building and strengthening its operating market areas, U.S. Cellular has selected high-capacity, carrier-class digital wireless switching systems that are capable of serving multiple markets through a single mobile telephone switching office. Centralized equipment, used for network and data management, is located in high-availability facilities supported by multiple levels of power and network redundancy. U.S. Cellular's systems are designed to incorporate Internet Protocol ("IP") packet-based Ethernet technology, which allows for increased data capacity and a more efficient network. Interconnection between the mobile telephone switching office and the cell sites utilizes Ethernet technology for nearly all 4G LTE sites, over fiber or microwave links.

U.S. Cellular believes that currently available technologies and appropriate capital additions will allow sufficient capacity on its networks to meet anticipated demand for voice and data services over the next few years. However, increasing demand for high-speed data may require the acquisition of additional spectrum licenses to provide sufficient capacity and throughput.

Construction of wireless systems is capital-intensive, requiring substantial investment for land and improvements, buildings, towers, mobile telephone switching offices, cell site equipment, transport equipment, engineering and installation. U.S. Cellular primarily uses its own personnel to engineer each wireless system it owns and operates, and engages contractors to construct the facilities.

The costs (inclusive of the costs to acquire licenses) to develop the systems which U.S. Cellular operates have historically been financed primarily through proceeds from debt and equity offerings, with cash generated by operations, and proceeds from the sales of wireless interests and other non-strategic assets.

Business Development Strategy

U.S. Cellular groups its individual markets (geographic service areas as defined by the FCC in which wireless carriers are licensed, for fixed terms, to provide service) into broader geographic market areas to offer customers large service areas that primarily utilize U.S. Cellular's network. U.S. Cellular's ownership interests in wireless licenses include both consolidated and investment interests in operating and non-operating licenses covering portions of 31 states and a total population of 50.5 million at December 31, 2015.

U.S. Cellular's business development strategy is to obtain interests in and access to wireless licenses in its current operating markets and in areas that are adjacent to or in close proximity to its other wireless licenses, thereby building contiguous operating market areas. U.S. Cellular believes that the acquisition of additional licenses within its current operating markets will enhance its network capacity to meet its customers' increased demand for data services. U.S. Cellular may continue to make opportunistic acquisitions or exchanges that further strengthen its current operating markets or other attractive markets. From time to time, U.S. Cellular has divested outright or included in exchanges for other wireless interests certain consolidated and investment interests that were considered less essential to its current and expected future operations. As part of its business development strategy, U.S. Cellular from time to time may be engaged in negotiations relating to the acquisition, exchange or disposition of companies, strategic properties or wireless spectrum. See Note 6 — Acquisitions, Divestitures and Exchanges and Note 8 — Investments in Unconsolidated Entities in the Notes to Consolidated Financial Statements for a description of significant acquisitions, divestitures and exchanges in the years 2013 through 2015.

From time to time, the FCC conducts auctions through which additional spectrum is made available for the provision of wireless services. U.S. Cellular may participate as a bidder, or member of a bidding group, in future auctions. In February 2016, U.S. Cellular filed an application to participate as a forward auction bidder for 600MHz broadcast television spectrum licenses in an FCC auction referred to as Auction 1000. Auction 1000 is expected to commence with the broadcaster initial commitment deadline on March 29, 2016. Forward auction bidding is likely to begin a couple of months later and could continue for three months or longer. Due to the FCC's anti-collusion rules, U.S. Cellular may not disclose any details relating to its participation or information about whether or not it is a winning bidder unless and until it is announced as a winning bidder by the FCC. See Exhibit 13 to this Form 10-K, under "Regulatory Matters – FCC Auction 1000."

U.S. Cellular has participated in certain prior FCC auctions indirectly through its limited partnership interests. Each entity that qualified as a "designated entity" was eligible for bidding credits with respect to most 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.

In January 2015, the FCC released the results of Auction 97. U.S. Cellular participated in Auction 97 indirectly through its limited partnership interest in Advantage Spectrum L.P. Advantage Spectrum L.P. applied as a "designated entity" and expects to receive bid credits resulting in a 25% discount with respect to spectrum purchased in Auction 97. See Note 13 — Variable Interest Entities in the Notes to Consolidated Financial Statements for additional information.

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Due to changes in FCC rules, U.S. Cellular will not be participating in Auction 1000 through a limited partnership that is a “designated entity” which qualifies for a discount of 25% on any licenses won in the auction. Instead, U.S. Cellular will be participating in the auction directly and will not qualify for any discount on licenses that may be won in the auction.

In 2012, the FCC conducted a single round, sealed bid, reverse auction to award Mobility Fund Phase I support to bidders that commit to provide wireless service in areas designated as unserved by the FCC. U.S. Cellular and several of its subsidiaries were winning bidders in eligible areas within 10 states. See Note 17 — Supplemental Cash Flow Disclosures in the Notes to Consolidated Financial Statements for additional information.

Regulation

U.S. Cellular’s operations are subject to federal, state and local regulation. Key regulatory considerations are discussed below. Additional information relating to U.S. Cellular’s regulatory environment is in Risk Factors and incorporated by reference from Exhibit 13 to this Form 10-K, Annual Report section “Regulatory Matters.”

U.S. Cellular provides various wireless services, including voice and data services, pursuant to licenses granted by the FCC. The construction, operation and transfer of wireless systems in the United States are regulated to varying degrees by the FCC pursuant to the Communications Act of 1934, as amended (“Communications Act”). The FCC currently does not require wireless carriers to comply with a number of statutory provisions otherwise applicable to common carriers that provide, originate or terminate interstate or international telecommunications. However, the FCC has enacted regulations governing construction and operation of wireless systems, licensing (including renewal of licenses) and technical standards for the provision of wireless services under the Communications Act.

Wireless licenses are granted by the FCC based on various geographic areas. The completion of acquisitions, involving the transfer of control of all or a portion of a wireless system requires prior FCC approval. The FCC determines on a case-by-case basis whether an acquisition of wireless licenses is in the public interest. Wireless licenses are generally granted for a ten year term or, in some cases, for a fifteen year term. The FCC has established standards for conducting comparative renewal proceedings between a wireless license holder seeking renewal of its license and challengers filing competing applications. All of U.S. Cellular’s licenses for which it applied for renewal between 1995 and 2015 have been renewed. The FCC is pursuing proceedings to modify the license renewal process. U.S. Cellular expects to meet the criteria of any license renewal process.

As part of its data services, U.S. Cellular provides internet access. As described more fully in Exhibit 13 to this Form 10-K under “Regulatory Matters – FCC Net Neutrality Order,” there are developments and proposals that may result in greater regulation of wireless data services relating to internet access.

Although the Communications Act generally pre-empts state and local governments from regulating the entry of, or the rates charged by, wireless carriers, certain state and local governments regulate other terms and conditions of wireless services, including billing, termination of service arrangements, imposition of early termination fees, advertising, network outages, the use of handsets while driving, zoning and land use. Further, the Federal Aviation Administration also regulates the siting, lighting and construction of transmitter towers and antennae.

Debt Securities

The following securities trade on the NYSE: U.S. Cellular’s 6.95% Senior Notes due 2060 trade under the symbol “UZA,” U.S. Cellular’s 7.25% Senior Notes due 2063 trade under the symbol “UZZB,” and U.S. Cellular’s 7.25% Senior Notes due 2064 trade under the symbol “UZZC.” U.S. Cellular’s 6.7% Senior Notes due 2033 are traded over the counter and are not listed on any stock exchange.

Employees

U.S. Cellular had approximately 6,400 full-time and part-time employees as of December 31, 2015. None of U.S. Cellular’s employees are represented by labor organizations. U.S. Cellular considers its relationship with its employees to be good.

Location and Company Information

U.S. Cellular executive offices are located at 8410 West Bryn Mawr Avenue, Chicago, Illinois 60631. U.S. Cellular’s telephone number is 773-399-8900. U.S. Cellular’s website address is www.uscellular.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 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 www.sec.gov.

Item 1A. Risk Factors

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 SAFE HARBOR CAUTIONARY STATEMENT

This Annual Report on Form 10-K, including exhibits, contains statements that are not based on historical facts and represent forward-looking statements, as this term is defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, that address activities, events or developments that U.S. Cellular intends, expects, projects, believes, estimates, plans or anticipates will or may occur in the future are forward-looking statements. The words “believes,” “anticipates,” “estimates,” “expects,” “plans,” “intends,” “projects” and similar expressions are intended to identify these forward-looking statements, but are not the exclusive means of identifying them. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include those set forth below under “Risk Factors” in this Form 10-K. Each of the following risks could have a material adverse effect on U.S. Cellular; however, such factors are not necessarily all of the important factors that could cause actual results, performance or achievements to differ materially from those expressed in, or implied by, the forward-looking statements contained in this document. Other unknown or unpredictable factors also could have material adverse effects on future results, performance or achievements. U.S. Cellular undertakes no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise. You should carefully consider the following risk factors and other information contained in, or incorporated by reference into, this Form 10-K to understand the material risks relating to U.S. Cellular’s business.

Risk Factors

1. Intense competition in the markets in which U.S. Cellular operates could adversely affect U.S. Cellular’s revenues or increase its costs to compete.

Competition in the wireless industry is intense and is expected to intensify further in the future due to the general effects of the economy, as well as multiple wireless industry factors such as increasing market penetration, decreasing customer churn rates, introduction of new products, new competitors and changing prices. There is competition in pricing; handsets and other devices; network quality, coverage, speed and technologies; distribution; new entrants; and other categories. In particular, wireless competition includes aggressive promotional pricing to induce customers to switch carriers, which could result in switching activity and churn; data network speed is becoming a competitive differentiator; and there has been a resurgence of new entrants to wireless markets including prepaid brands that have been purchased by national carriers. U.S. Cellular’s ability to compete effectively will depend, in part, on its ability to anticipate and respond to various competitive factors affecting the telecommunications industry. U.S. Cellular anticipates that competition will continue to cause the prices for products and services to continue to decline and the costs to compete to increase. Most of U.S. Cellular’s competitors are national or global telecommunications companies that are larger than U.S. Cellular, possess greater financial and other resources, possess more extensive coverage areas and more spectrum within their coverage areas, and market other services with their communications services that U.S. Cellular does not offer. Further, other companies that currently are less competitive may also add more efficient and superior low-band spectrum to become more competitive in U.S. Cellular’s primary markets. In particular, to the extent that existing competitors or new entrants acquire low-band (600 MHz) spectrum in FCC Auction 1000 in 2016 in U.S. Cellular markets, U.S. Cellular could face increased competition over time from competitors which hold more efficient and superior low-band spectrum. In addition, U.S. Cellular may face competition from technologies that may be introduced in the future. New technologies, services and products that are more commercially effective than the technologies, services and products offered by U.S. Cellular may be developed. Further, new technologies may be proprietary such that U.S. Cellular is not able to adopt such technologies. There can be no assurance that U.S. Cellular will be able to compete successfully in this environment.

Sources of competition to U.S. Cellular’s business typically include two to four competing wireless telecommunications service providers in each market, wireline telecommunications service providers, cable companies, resellers (including mobile virtual network operators), and providers of other alternate telecommunications services. Many of U.S. Cellular’s wireless competitors and other competitors have substantially greater financial, technical, marketing, sales, purchasing and distribution resources than U.S. Cellular.

If U.S. Cellular does not adapt to compete effectively in such a highly competitive environment, such competitive factors could result in product, service, pricing or cost disadvantages and could have an adverse effect on U.S. Cellular’s business, financial condition or results of operations.

2. A failure by U.S. Cellular to successfully execute its business strategy (including planned acquisitions, divestitures and exchanges) or allocate resources or capital could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

U.S. Cellular is a regional wireless carrier, but competes primarily against much larger national wireless carriers with much greater resources. Its business strategy in attempting to attract and retain wireless customers through a value proposition comprised of a high-quality network, outstanding customer service, and competitive devices, plans and pricing, all provided with a local focus has not resulted in, and in the future may not result in performance that achieves returns in line with or above its cost of capital. U.S. Cellular's current forecast does not indicate that U.S. Cellular will achieve a return on capital that exceeds its cost of capital over the near term. U.S. Cellular also might be unable to adopt technologies, products and services as fast as its larger competitors. As a result, consumers who are eager to adopt new technologies, products and services more quickly may select U.S. Cellular's competitors rather than U.S. Cellular as their service provider. To the extent that U.S. Cellular does not attract or retain these types of customers, U.S. Cellular could be at a competitive disadvantage and have a customer base that generates lower overall average revenue per unit ("ARPU"), average revenue per account ("ARPA") and profit margins, relative to its competition.

The successful execution of strategy and optimal capital allocation decisions depend on various internal and external factors, many of which are not in U.S. Cellular's control. U.S. Cellular's ability to achieve projected financial results by implementing and executing its business strategy and optimally allocating its assets and capital could be affected by such factors. Such factors include but are not limited to pricing practices by competitors, relative scale, purchasing power, roaming and other strategic agreements, wireless device availability, timing of introduction of wireless devices, access to spectrum, emerging technologies and other factors. In addition, there is no assurance that U.S. Cellular's strategy will be successful. Even if U.S. Cellular executes its business strategy as intended, such strategy may not be successful in the long-term at achieving growth in customers, revenues, net income, or generating a return on capital greater than U.S. Cellular's cost of capital. In such case, there would be an adverse effect on U.S. Cellular's business, financial condition and results of operations.

A failure by U.S. Cellular to execute its business strategy successfully or to allocate resources or capital optimally could have an adverse effect on U.S. Cellular's wireless business, financial condition or results of operations.

3. Uncertainty in U.S. Cellular's future cash flow and liquidity or in the ability to access capital, deterioration in the capital markets, other changes in U.S. Cellular's performance or market conditions, changes in U.S. Cellular's credit ratings or other factors could limit or restrict the availability of financing on terms and prices acceptable to U.S. Cellular, which could require U.S. Cellular to reduce its construction, development or acquisition programs, reduce the acquisition of spectrum licenses, and/or reduce or cease share repurchases.

U.S. Cellular operates a capital-intensive business. U.S. Cellular has used internally-generated funds and has also obtained substantial funds from external sources for general corporate purposes. In the past, U.S. Cellular's existing cash and investment balances, funds available under its revolving credit facilities, funds from other financing sources, including a term loan and other long-term debt, and cash flows from operating, investing and financing activities, including sales of assets or businesses, provided sufficient liquidity and financial flexibility for U.S. Cellular to meet its normal day-to-day operating needs and debt service requirements, to finance the build-out and enhancement of markets and to fund acquisitions. There is no assurance that this will be the case in the future. It may be necessary from time to time to increase the size of the existing revolving credit facility, to put in place new credit facilities, or to obtain other forms of financing in order to fund potential expenditures. U.S. Cellular's liquidity would be adversely affected if, among other things, U.S. Cellular is unable to obtain short or long-term financing on acceptable terms, U.S. Cellular makes spectrum license purchases in FCC auctions or from other parties, the LA Partnership does not resume or reduces distributions compared to prior historical levels and/or Eligible Telecommunications Carrier ("ETC") and/or other regulatory support payments continue to decline. In addition, although sales of assets or businesses by U.S. Cellular have been an important source of liquidity for U.S. Cellular in recent periods, U.S. Cellular does not expect a similar level of such sales in the future, which will reduce a source of liquidity for U.S. Cellular. In recent years, U.S. Cellular's credit rating has declined to sub-investment grade. In certain recent periods, U.S. Cellular has incurred negative free cash flow (defined as Cash flows from operating activities less Cash used for additions to property, plant and equipment) and this will continue in the future if operating results do not improve. U.S. Cellular currently expects to have negative free cash flow in 2016. U.S. Cellular may require substantial additional capital for, among other uses, funding day-to-day operating needs, working capital, acquisitions of providers of wireless telecommunications services, spectrum license or system acquisitions, system development and network capacity expansion, debt service requirements, the repurchase of shares, or making additional investments. There can be no assurance that sufficient funds will continue to be available to U.S. Cellular or its subsidiaries on terms or at prices acceptable to U.S. Cellular. Insufficient cash flows from operating activities, changes in its credit ratings, defaults of the terms of debt or credit agreements, uncertainty of access to capital, deterioration in the capital markets, reduced regulatory capital at banks which in turn limits their ability to borrow and lend, other changes in the performance of U.S. Cellular or in market conditions or other factors could limit or restrict the availability of financing on terms and prices acceptable to U.S. Cellular, which could require U.S. Cellular to reduce its acquisition, capital expenditure and business development programs, reduce the acquisition of spectrum licenses, and/or reduce or cease share repurchases. U.S. Cellular cannot provide assurances that circumstances that could have a material adverse effect on its liquidity or capital resources will not occur. Any of the foregoing would have an adverse impact on U.S. Cellular's businesses, financial condition or results of operations.

4. U.S. Cellular has a significant amount of indebtedness which could adversely affect its financial performance and in turn adversely affect its ability to make payments on its indebtedness, comply with terms of debt covenants and incur additional debt.

U.S. Cellular has a significant amount of indebtedness and may need to incur additional indebtedness. U.S. Cellular's level of indebtedness could have important consequences. For example, it (i) may limit U.S. Cellular's ability to obtain additional financing for working capital, capital expenditures or general corporate purposes, particularly if the ratings assigned to its debt securities by rating organizations are revised downward; (ii) will require U.S. Cellular to dedicate a substantial portion of its cash flow from operations to the payment of interest and principal on its debt, reducing the funds available to U.S. Cellular for other purposes including expansion through acquisitions, capital expenditures, marketing spending and expansion of its business; and (iii) may limit U.S. Cellular's flexibility to adjust to changing business and market conditions and make U.S. Cellular more vulnerable to a downturn in general economic conditions as compared to U.S. Cellular's competitors. U.S. Cellular's ability to make scheduled payments or to refinance its obligations with respect to its indebtedness will depend on its financial and operating performance, which, in turn, is subject to prevailing economic and competitive conditions and other factors beyond its control. In addition, U.S. Cellular's leverage may put it at a competitive disadvantage to some of its competitors that are not as leveraged. U.S. Cellular's revolving credit facility and the U.S. Cellular term loan facility require U.S. Cellular to comply with certain affirmative and negative covenants, including certain financial covenants. Depending on actual financial performance of U.S. Cellular, there is a risk that U.S. Cellular could fail to satisfy the required financial covenants. If U.S. Cellular breaches a financial or other covenant of any of these agreements, it would result in a default under that agreement, and could involve a cross-default under other debt instruments. This could in turn cause the affected lenders to accelerate the repayment of principal and accrued interest on any outstanding debt under such agreements and, if they choose, terminate the facility. If appropriate, U.S. Cellular may request the applicable lender for an amendment of financial covenants in the U.S. Cellular revolving credit facility and the U.S. Cellular term loan facility, in order to provide additional financial flexibility to U.S. Cellular, and may also seek other changes to such facilities. There is no assurance that the lenders will agree to any amendments. If the lenders agree to amendments, this may result in additional payments or higher interest rates payable to the lenders and/or additional restrictions. Restrictions in such debt instruments may limit U.S. Cellular's operating and financial flexibility.

As a result, U.S. Cellular's level of indebtedness, restrictions contained in debt instruments and/or possible breaches of covenants, defaults, and acceleration of indebtedness could have an adverse effect on U.S. Cellular's business, financial condition, revenues, results of operations and cash flows.

5. Changes in roaming practices or other factors could cause U.S. Cellular's roaming revenues to decline from current levels, roaming expenses to increase from current levels and/or impact U.S. Cellular's ability to service its customers in geographic areas where U.S. Cellular does not have its own network, which could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

U.S. Cellular's service revenues include roaming revenues related to the use of U.S. Cellular's network by other carriers' customers who travel within U.S. Cellular's coverage areas. Changes in the network footprints of carriers due to mergers, acquisitions or network expansions could have an adverse effect on U.S. Cellular's roaming revenues. For example, consolidation among other carriers which have network footprints that currently overlap U.S. Cellular's network could decrease the amount of roaming revenues for U.S. Cellular.

Similarly, U.S. Cellular's customers can access another carrier's digital system automatically only if the other carrier allows U.S. Cellular's customers to roam on its network. U.S. Cellular relies on roaming agreements with other carriers to provide roaming capability to its customers in areas of the U.S. and internationally outside of its service areas, including Mexico and Canada, and to improve coverage within selected areas of U.S. Cellular's network footprint. Such agreements cover traditional voice services as well as data services. Although U.S. Cellular currently has long-term roaming agreements with certain other carriers, these agreements generally are subject to renewal and termination if certain events occur. FCC rules and orders impose certain requirements on wireless carriers to offer certain roaming arrangements to other carriers. However, carriers frequently disagree on what is required. Although U.S. Cellular has entered into 4G LTE roaming agreements with national carriers, there is no assurance that U.S. Cellular will be able to maintain and/or enter into new agreements to provide roaming services using 4G LTE or other technologies or that it will be able to do so on reasonable or cost-effective terms.

Some competitors may be able to obtain lower roaming rates than U.S. Cellular is able to obtain because they have larger call volumes or may be able to reduce roaming charges by providing service principally over their own networks. In addition, the quality of service that a wireless carrier delivers during a roaming call may be inferior to the quality of service U.S. Cellular provides, the price of a roaming call may not be competitive with prices of other wireless carriers for such call, and U.S. Cellular's customers may not be able to use some of the advanced features, such as voicemail notification or data applications, that U.S. Cellular's customers enjoy when making calls on U.S. Cellular's network. U.S. Cellular's rate of adoption of new technologies, such as those enabling high-speed data and voice services, could affect its ability to enter into or maintain roaming agreements with other carriers. In addition, U.S. Cellular's wireless technology may not be compatible with technologies used by other carriers, which may limit the ability of U.S. Cellular to enter into voice or data roaming agreements with such other carriers. U.S. Cellular's roaming partners could switch their business to new operators or, over time, to their own networks. Changes in roaming usage patterns, rates for roaming minutes or data usage or relationships with carriers whose customers generate roaming minutes or data use on U.S. Cellular's network could have an adverse effect on U.S. Cellular's revenues and revenue growth. Further, other carriers could negotiate higher roaming rates for accessing their networks, resulting in increased roaming expense for U.S. Cellular.

To the extent that U.S. Cellular's key roaming partners expand their networks in U.S. Cellular's service areas, the roaming arrangements between U.S. Cellular and these key roaming partners could become less strategic for the roaming partners. That is, these key roaming partners will have fewer or less extensive geographic areas where roaming services are required by their customers and, as a result, the roaming arrangements could become less critical to serving their customer base. This presents a risk to U.S. Cellular in that, to the extent U.S. Cellular is not able to enter into economically viable roaming arrangements with key roaming partners, this could impact U.S. Cellular's ability to service its customers in geographic areas where U.S. Cellular does not have its own network.

If U.S. Cellular's roaming revenues decline, roaming expenses increase, or if U.S. Cellular is unable to obtain or maintain roaming agreements with other wireless carriers that contain pricing and other terms that are competitive and acceptable to U.S. Cellular, and that satisfy U.S. Cellular's quality and interoperability requirements, its business, financial condition or results of operations could be adversely affected.

6. A failure by U.S. Cellular to obtain access to adequate radio spectrum to meet current or anticipated future needs and/or to accurately predict future needs for radio spectrum could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

U.S. Cellular's business depends on the ability to use portions of the radio spectrum licensed by the FCC. U.S. Cellular could fail to obtain access to sufficient spectrum capacity in new or existing critical markets, whether through FCC auctions or other transactions, in order to meet the anticipated spectrum requirements associated with increased demand for existing services, especially increases in customer demand for data services, and to enable deployment of next-generation services. U.S. Cellular believes that this increased demand for data services reflects a trend that will continue for the foreseeable future. However, U.S. Cellular could fail to accurately forecast its future spectrum requirements considering changes in customer usage patterns, technology requirements and the expanded demands of new services. Such a failure could have an adverse impact on the quality of U.S. Cellular's services or U.S. Cellular's ability to roll out such future services in some markets, or could require that U.S. Cellular curtail existing services in order to make spectrum available for next-generation services. Spectrum constrained providers could be effectively capped in increasing market share. As spectrum constrained providers gain customers, they use up their network capacity. Since they lack spectrum, they can respond to demand only by adding cell sites, which is capital intensive, adds fixed operating costs, is limited by zoning considerations, and ultimately may not be cost effective.

U.S. Cellular may acquire access to spectrum through a number of alternatives, including acquisitions, exchanges and participation in spectrum auctions. U.S. Cellular may participate in spectrum auctions conducted by the FCC in the future directly as an applicant or, to the extent available under FCC rules, indirectly as a non-controlling partner of another applicant. As required by law, the FCC has conducted auctions for licenses to use some parts of the radio spectrum. The decision to conduct auctions, and the determination of what spectrum frequencies will be made available for auction and the determination of geographic size of licenses, are made by the FCC pursuant to laws that it administers. The FCC may not be able to allocate spectrum sufficient to meet the demands of all those wishing to obtain licenses for new market entry or to expand their spectrum holdings to meet the expanding demand for data services or to address other spectrum constraints. Due to factors such as geographic size of licenses and auction bidders that may raise prices beyond acceptable levels, U.S. Cellular may not be successful in FCC auctions in obtaining access to the spectrum that it believes is necessary to implement its business and technology strategies.

In addition, newly auctioned spectrum may not be compatible with existing spectrum, and vendors may not create suitable products to use such spectrum. Further, access to spectrum licenses won in FCC auctions may not be available on a timely basis. Such access is dependent upon the FCC actually granting licenses won, which can be delayed for various reasons. Furthermore, newly licensed spectrum may not be available for immediate use since the radio operations of incumbent users, including in some cases government agencies, may need to be relocated to other portions of the radio spectrum, and/or the newly licensed spectrum may be subject to sharing and coordination obligations for a period of time. U.S. Cellular also may seek to acquire radio spectrum through purchases and exchanges with other spectrum licensees. However, U.S. Cellular may not be able to acquire sufficient spectrum through these types of transactions, and U.S. Cellular may not be able to complete any of these transactions on favorable terms.

7. To the extent conducted by the FCC, U.S. Cellular may participate in FCC auctions of additional spectrum in the future directly or indirectly and, during certain periods, will be subject to the FCC's anti-collusion rules, which could have an adverse effect on U.S. Cellular.

From time to time, the FCC conducts auctions through which additional spectrum is made available for the provision of wireless services. U.S. Cellular has participated in such auctions in the past and may participate in other auctions conducted by the FCC in the future. U.S. Cellular may participate in spectrum auctions conducted by the FCC in the future directly as an applicant or, to the extent available under FCC rules, indirectly as a non-controlling partner of another applicant. FCC anti-collusion rules place certain restrictions on business communications and disclosures by participants in an FCC auction. These anti-collusion rules may restrict the normal conduct of U.S. Cellular's business, U.S. Cellular's acquisition, divestiture, exchange and other corporate development activity and/or disclosures by U.S. Cellular relating to an FCC auction, which could last three to six months or more. The restrictions could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

In particular, in February 2016, U.S. Cellular filed an application to participate as a forward auction bidder for 600MHz broadcast television spectrum licenses in an FCC auction referred to as Auction 1000. Auction 1000 is expected to commence with the broadcaster initial commitment deadline on March 29, 2016. Forward auction bidding is likely to begin a couple of months later and could continue for three months or longer. Due to the FCC's anti-collusion rules, U.S. Cellular may not disclose any details relating to its participation or information about whether or not it is a winning bidder unless and until it is announced as a winning bidder by the FCC.

To the extent that U.S. Cellular is a winning bidder in the auction, it will be required to make payments to the FCC for the spectrum licenses, which payments could be substantial. In such case, this would reduce U.S. Cellular's consolidated liquidity.

Due to changes in FCC rules, U.S. Cellular will not be participating in Auction 1000 through a limited partnership that is a "designated entity" which qualifies for a discount of 25% on any licenses won in the auction, as U.S. Cellular has done in certain prior auctions. Instead, U.S. Cellular will be participating in the auction directly and will not qualify for any discount on licenses that may be won in the auction.

To the extent that existing competitors or new entrants acquire low-band (600 MHz) spectrum in U.S. Cellular markets in Auction 1000, U.S. Cellular could face increased competition over time from competitors that hold more efficient and superior low-band spectrum, which would have an adverse effect on U.S. Cellular's wireless competitive position.

8. Changes in the regulatory environment or a failure by U.S. Cellular to timely or fully comply with any applicable regulatory requirements could adversely affect U.S. Cellular's business, financial condition or results of operations.

U.S. Cellular's operations are subject to varying degrees of regulation by the FCC, state public utility commissions and other federal, state and local regulatory agencies and legislative bodies. U.S. Cellular is unable to predict the future actions of the various regulatory bodies that govern U.S. Cellular, but such actions could have adverse effects on U.S. Cellular's business. New or amended regulatory requirements could increase U.S. Cellular's costs and divert resources from other initiatives.

Adverse decisions, increased regulation, or changes to existing regulation by regulatory bodies could negatively impact U.S. Cellular's operations by, among other things, changing the amount that can be charged for local, intrastate or interstate access rates, increasing U.S. Cellular's costs of doing business, permitting greater competition or limiting U.S. Cellular's ability to engage in certain sales or marketing activities. New regulatory mandates or enforcement may require unexpected or changed capital investment, lost revenues, changes in operations or other changes.

Court decisions and rulemakings could have a substantial impact on U.S. Cellular's operations, including rulemakings on intercarrier access compensation and state and federal universal service. Litigation and different objectives among federal and state regulators could create uncertainty and delay U.S. Cellular's ability to respond to new regulations.

U.S. Cellular attempts to timely and fully comply with all regulatory requirements. Any failure by U.S. Cellular to timely or fully comply with any regulatory requirements could adversely affect U.S. Cellular's financial condition, results of operations or ability to do business.

For additional information about U.S. Cellular's regulatory environment, see Risk Factor Number 15 below.

9. An inability to attract people of outstanding potential, to develop their potential through education and assignments, and to retain them by keeping them engaged, challenged and properly rewarded could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

U.S. Cellular's business is highly technical and competition for skilled talent in the wireless industry is aggressive. Due to competition for qualified management, technical, sales and other personnel, there can be no assurance that U.S. Cellular will be able to continue to attract and/or retain people of outstanding potential for the development of its business. The loss of the services of existing key personnel as well as the failure to recruit additional qualified personnel in a timely manner could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

10. U.S. Cellular's assets are concentrated in the U.S. wireless telecommunications industry. Consequently, its operating results may fluctuate based on factors related primarily to conditions in this industry.

U.S. Cellular's assets are concentrated in the U.S. wireless telecommunications industry. The U.S. wireless telecommunications industry is facing significant change and an uncertain operating environment. U.S. Cellular has not diversified its revenue streams beyond wireless telecommunications. U.S. Cellular's focus on the U.S. wireless telecommunications industry, together with its positioning relative to larger competitors with greater resources within the industry, may represent increased risk for investors due to the lack of diversification. This could have an adverse effect on U.S. Cellular's ability to profitably sustain long-term revenue growth and could have an adverse effect on its business, financial condition or results of operations.

11. U.S. Cellular's smaller scale relative to larger competitors that may have much greater financial and other resources than U.S. Cellular could cause U.S. Cellular to be unable to compete successfully, which could adversely affect its business, financial condition or results of operations.

There has been a trend in the telecommunications and related industries in recent years towards consolidation of service providers through acquisitions, reorganizations and joint ventures. This trend could continue, leading to larger competitors over time. U.S. Cellular has smaller scale efficiencies compared to larger competitors. U.S. Cellular may be unable to compete successfully with larger companies that have substantially greater financial, technical, marketing, sales, purchasing and distribution resources or that offer more services than U.S. Cellular, which could adversely affect U.S. Cellular's revenues and costs of doing business. Specifically, U.S. Cellular's smaller scale relative to most of its competitors could have the following impacts, among others:

- Low profit margins and returns on investment that are below U.S. Cellular's cost of capital;
- Increased operating costs due to lack of leverage with vendors;
- Limited opportunities for strategic partnerships as potential partners are focused on wireless companies with greater scale and scope ;
- Limited access to content;
- Limited ability to influence industry standards;
- Reduced ability to invest in research and development of new products and services;
- Vendors may deem U.S. Cellular non-strategic and not develop or sell products and services to U.S. Cellular, particularly where technical requirements differ from those of larger companies;
- Limited access to intellectual property; and
- Other limited opportunities such as for software development or third party distribution.

U.S. Cellular's business increasingly depends on access to content for data, music or video services and access to new wireless devices being developed by vendors. U.S. Cellular's ability to obtain such access depends in part on other parties. If U.S. Cellular is unable to obtain timely access to new content or wireless devices being developed by vendors, its business, financial condition or results of operations could be adversely affected.

As a result of the foregoing, U.S. Cellular's smaller scale relative to larger competitors could adversely affect U.S. Cellular's business, financial condition or results of operations.

12. Changes in various business factors , including changes in demand, customer preferences and perceptions, price competition, churn from customer switching activity and other factors, could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

Changes in any of several factors could have an adverse effect on U.S. Cellular's business, financial condition or results of operations. These factors include, but are not limited to:

- Demand for or usage of services, particularly data services;
- Customer preferences, including type of wireless devices;
- Customer perceptions of network quality and performance;
- The pricing of services , including an increase in price-based competition ;
- The overall size and growth rate of U.S. Cellular's customer base;
- ARPU or ARPA ;
- Penetration rates;
- Churn rates;
- Selling expenses;
- Net customer acquisition and retention costs;
- Customers' ability to pay for wireless service and the potential impact on bad debts expense;
- Roaming agreements and rates;
- Third-party vendor support;
- The mix of products and services offered by U.S. Cellular and purchased by customers; and
- The costs of providing products and services.

13. Advances or changes in technology could render certain technologies used by U.S. Cellular obsolete, could put U.S. Cellular at a competitive disadvantage, could reduce U.S. Cellular's revenues or could increase its costs of doing business.

The telecommunications industry is experiencing significant changes in technologies and services expected by customers, as evidenced by evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new services and products, and enhancements and changes in end-user requirements and preferences. Widespread deployment of new technologies could cause the technology used on U.S. Cellular's wireless networks or traditional circuit-switched telephone services to become less competitive or obsolete. Non-traditional competitors may try to disintermediate the wireless carrier and render it less valuable or obsolete. For example, the timing, cost, and availability of CDMA enabled devices and other CDMA ecosystem support needs may inhibit U.S. Cellular's ability to maintain wireless voice services. If the trend toward convergence continues, U.S. Cellular is at a competitive disadvantage to larger competitors, including the national wireless carriers and other potential large new entrants with much greater financial and other resources in adapting to such convergence. Future technological changes or advancements may enable other wireless technologies to equal or exceed U.S. Cellular's current levels of service and render its system infrastructure obsolete. U.S. Cellular may not be able to respond to such changes and implement new technology on a timely or cost-effective basis, which could reduce its revenues or increase its costs of doing business. If U.S. Cellular cannot keep pace with these technological changes or other changes in the telecommunications industry over time, its financial condition, results of operations or ability to do business could be adversely affected.

14. Complexities associated with deploying new technologies present substantial risk and U.S. Cellular investments in unproven technologies may not produce the benefits that U.S. Cellular expects .

U.S. Cellular has recently completed the transition to 4G LTE and has implemented 4G LTE roaming agreements with national carriers. In addition, U.S. Cellular also is testing VoLTE. The transition to 4G LTE involved significant time and cost and any future implementation of VoLTE will involve additional time and cost. Furthermore, the wireless business may involve rapid technology changes and new services and products. If U.S. Cellular fails to effectively deploy new wireless technologies, services or products on a timely basis, this could have an adverse impact on U.S. Cellular's business, financial condition and results of operations.

Furthermore, it is not certain that U.S. Cellular's investments in various new, unproven technologies and service and product offerings will be effective. The markets for some of these services, products and solutions may still be emerging and the overall potential for these markets may be uncertain. If customer demand for these new services, products and solutions does not develop as expected, U.S. Cellular's business, financial condition or results of operations could be adversely affected.

15. U.S. Cellular receives regulatory support and is subject to numerous surcharges and fees from federal, state and local governments, and the applicability and the amount of the support and fees are subject to great uncertainty.

All carriers with interstate and international revenues must contribute to the Federal USF. Carriers are free to pass on the cost of such contributions to their customers. In 2015, U.S. Cellular contributed \$ 67 .4 million into the F ederal USF and passed on the majority of the cost of such contributions to its customers. Telecommunications companies may be designated by states, or in some cases by the FCC, as an ETC to receive universal service support payments if they provide specified services in "high cost" areas. U.S. Cellular has been designated as an ETC in certain states and received \$92 .1 million in high cost support for service to high cost areas in 2015.

In 2011, the FCC released an order ("Reform Order") to: reform its universal service and intercarrier compensation mechanisms; establish a new, broadband-focused support mechanism; and propose further rules to advance reform. Pursuant to the Reform Order, U.S. Cellular's ETC support has been phased down by 40% since July 1, 2012. As provided by the Reform Order, the phasedown is currently suspended and U.S. Cellular will continue to receive 60% of its baseline support until a new fund p roposed in the Reform Order is operational. Further proceedings including litigation may also be possible. At this time, U.S. Cellular cannot predict the net effect of further changes to the USF high cost support program under the Reform Order. If the foregoing regulatory support is reduced from current levels, this could have an adverse effect on U.S. Cellular's business, financial condition or operating results. With respect to intercarrier compensation, the Reform Order provides for a reduction in the charges that U.S. Cellular pays to wireline phone companies to transport and terminate calls that originate on their networks, which will reduce U.S. Cellular's operating expenses. The reductions in intercarrier charges are to increase over the next five to ten years, further reducing U.S. Cellular's operating expenses.

Telecommunications providers pay a variety of surcharges and fees on their gross revenues from interstate and intrastate services, including USF fees and common carrier regulatory fees.

The division of services between interstate services and intrastate services, including the divisions associated with the F ederal USF fees, is a matter of interpretation and may in the future be contested by the FCC or state authorities. The FCC also may change in the future the basis on which F ederal USF fees are charged. The Federal government and many states also apply transaction-based taxes to sales of U.S. Cellular products and services and to purchases of telecommunications services from various carriers . In addition, state regulators and local governments have imposed and may continue to impose various surcharges, taxes and fees on U.S. Cellular services. The applicability of these surcharges and fees to its services is uncertain in many cases and jurisdictions may contest whether U.S. Cellular has assessed and remitted those monies correctly. Periodically, state and federal regulators may increase or change the surcharges and fees U.S. Cellular currently pays. In some instances U.S. Cellular passes through these charges to its customers. However, Congress, the FCC, state regulatory agencies or state legislatures may limit the ability to pass through transaction-based tax liabilities, regulatory surcharges and regulatory fees imposed on U.S. Cellular to customers. U.S. Cellular may or may not be able to recover some or all of those taxes from its customers and the amount of taxes may deter demand for its services or increase its cost to provide service which could have an adverse effect on its business, financial condition or operating results.

16. Performance under device purchase agreements could have a material adverse impact on U.S. Cellular's business, financial condition or results of operations.

U.S. Cellular has entered into purchase commitments with certain vendors and may enter into similar purchase commitments with other vendors in the future. If U.S. Cellular is unable to sell all of the devices that it is required to purchase under such agreements, or if it is unable to sell them at the prices it projects, its business, financial condition or results of operations could be adversely affected.

17. Changes in U.S. Cellular's enterprise value, changes in the market supply or demand for wireless licenses, adverse developments in the business or the industry in which U.S. Cellular is involved and/or other factors could require U.S. Cellular to recognize impairments in the carrying value of its licenses, goodwill and/or physical assets.

A large portion of U.S. Cellular's assets consists of indefinite-lived intangible assets in the form of licenses and goodwill. U.S. Cellular also has substantial investments in long-lived assets such as property, plant and equipment. U.S. Cellular reviews its licenses, goodwill and other long-lived assets for impairment annually or whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. An impairment loss may need to be recognized to the extent the carrying value of the assets exceeds the fair value of such assets. The amount of any such impairment loss could be significant and could have an adverse effect on U.S. Cellular's reported financial results for the period in which the loss is recognized. The estimation of fair values requires assumptions by management about factors that are uncertain including such things as future cash flows and the appropriate discount rate. Different assumptions for these factors could create materially different results.

18. Costs, integration problems or other factors associated with acquisitions, divestitures or exchanges of properties or licenses and/or expansion of U.S. Cellular's business could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

As part of U.S. Cellular's operating strategy, U.S. Cellular from time to time may be engaged in the acquisition, divestiture or exchange of companies, businesses, strategic properties, wireless spectrum or other assets. U.S. Cellular may change the markets in which it operates and the services that it provides through such acquisitions, divestitures and/or exchanges. In general, U.S. Cellular may not disclose the negotiation of such transactions until a definitive agreement has been reached.

These transactions commonly involve a number of risks, including:

- Identification of attractive companies, businesses, properties, spectrum or other assets for acquisition or exchange, and/or the selection of U.S. Cellular's businesses or assets for divestiture or exchange;
- Competition for acquisition targets and the ability to acquire or exchange businesses at reasonable prices;
- Possible lack of buyers for businesses or assets that U.S. Cellular desires to divest and the ability to divest or exchange such businesses or assets at reasonable prices;
- Ability to negotiate favorable terms and conditions for acquisitions, divestitures and exchanges;
- Significant expenditures associated with acquisitions, divestitures and exchanges;
- Legal and regulatory risks associated with new businesses or markets;
- Ability to enter markets in which U.S. Cellular has limited or no direct prior experience and competitors have stronger positions;
- Ability to integrate and manage businesses that are engaged in activities other than traditional wireless service;
- Uncertain revenues and expenses associated with acquisitions, with the result that U.S. Cellular may not realize the growth in revenues, anticipated cost structure, profitability, or return on investment that it expects;
- Difficulty of integrating the technologies, services, products, operations and personnel of the acquired businesses, or of separating such matters for divested businesses or assets;
- Diversion of management's attention;
- Disruption of ongoing business;
- Impact on U.S. Cellular's cash and available credit lines for use in financing future growth and working capital needs;
- Inability to retain key personnel;
- Inability to successfully incorporate acquired assets and rights into U.S. Cellular's service offerings;
- Inability to maintain uniform standards, controls, procedures and policies;
- Possible conditions to approval by the FCC, the Federal Trade Commission and/or the Department of Justice; and
- Impairment of relationships with employees, customers or vendors.

No assurance can be given that U.S. Cellular will be successful with respect to its acquisition, divestiture or exchange strategies or initiatives. If U.S. Cellular is not successful with respect to its acquisitions, divestitures or exchanges, its business, financial condition or results of operations could be adversely affected.

19. U.S. Cellular offers customers the option to purchase certain devices under installment contracts which, compared to fixed-term service contracts, includes risks that U.S. Cellular may possibly incur greater churn, lower cash flows, increased costs and/or increased bad debts expense due to differences in contract terms, which could have an adverse impact on U.S. Cellular's financial condition or results of operations.

U.S. Cellular offers customers the option to purchase certain wireless devices under installment contracts over a specified period of time. Customers who take advantage of these plans are not required to sign a fixed-term service contract to obtain postpaid service; rather, their service is provided on a month to month basis with no early termination fee. These device installment contract plans may not meet U.S. Cellular's customers' or potential customers' needs, expectations or demands. In addition, customers on these device installment contract plans can discontinue their service at any time without penalty, other than the obligation of any residual commitment they may have for unpaid service or for amounts due under the installment contract for the device. U.S. Cellular could experience a higher churn rate than it expects due to the ability of customers to more easily change service providers, which could adversely affect its results of operations. U.S. Cellular's operational and financial performance may be adversely affected if it is unable to grow its customer base and achieve the customer penetration levels that it anticipates with this business model.

Customers who have financed their devices through these device installment contracts pay for their devices in installments over a specified period of time. Compared to fixed-term service contracts, such plans result in lower cash flows from operating activities in the near term and could have an adverse effect on U.S. Cellular's liquidity or capital resources. In addition, such device installment contracts subject U.S. Cellular to increased risks relating to consumer credit issues, which could result in increased costs, including increases to its bad debts expense. These device installment contracts may be particularly sensitive to changes in general economic conditions, and any declines in the credit quality of U.S. Cellular's customer base could have a material adverse effect on U.S. Cellular's financial condition or results of operations.

20. A failure by U.S. Cellular to complete significant network construction and systems implementation activities as part of its plans to improve the quality, coverage, capabilities and capacity of its network, support and other systems and infrastructure could have an adverse effect on its operations.

U.S. Cellular's business plan includes significant construction activities and enhancements to its network. As U.S. Cellular deploys, expands and enhances its network, it may need to acquire additional spectrum. Also, as U.S. Cellular continues to build out and enhance its network, U.S. Cellular must, among other things, continue to:

- Lease, acquire or otherwise obtain rights to cell and switch sites;
- Obtain zoning variances or other local governmental or third-party approvals or permits for network construction;
- Complete and update the radio frequency design, including cell site design, frequency planning and network optimization, for each of U.S. Cellular's markets; and
- Improve, expand and maintain customer care, network management, billing and other financial and management systems.

Any difficulties encountered in completing these activities, as well as problems in vendor equipment availability, technical resources, system performance or system adequacy, could delay expansion of operations and product capabilities in new or existing markets or result in increased costs. Failure to successfully build out and enhance U.S. Cellular's network and necessary support facilities and systems in a cost-effective manner, and in a manner that satisfies customer expectations for quality and coverage, could have an adverse effect on U.S. Cellular's business, business prospects, financial condition or results of operations.

21. Difficulties involving third parties with which U.S. Cellular does business, including changes in U.S. Cellular's relationships with or financial or operational difficulties of key suppliers or independent agents and third party national retailers who market U.S. Cellular's services, could adversely affect U.S. Cellular's business, financial condition or results of operations.

U.S. Cellular has relationships with independent agents and third party national retailers who market U.S. Cellular services. If such relationships are seriously harmed or if such parties experience financial difficulties, including bankruptcy, U.S. Cellular's business, financial condition or results of operations could be adversely affected.

U.S. Cellular depends upon certain vendors to provide it with equipment, services or content to continue its network construction and upgrades and to operate its business. U.S. Cellular does not have operational or financial control over such key suppliers and has limited influence with respect to the manner in which these key suppliers conduct their businesses. If these key suppliers experience financial difficulties or file for bankruptcy or experience other operational difficulties, they may be unable to provide equipment, services or content to U.S. Cellular on a timely basis, or at all, or they may otherwise fail to honor their obligations to U.S. Cellular.

Regulations regarding the use of "conflict minerals" mined from the Democratic Republic of Congo and adjoining countries may affect some of U.S. Cellular's suppliers. These regulations may limit the availability of conflict free minerals and, as a result, U.S. Cellular may not be able to obtain products in sufficient quantities or at competitive prices from its vendors who utilize such minerals in the manufacture of products. In such cases, U.S. Cellular may be unable to maintain and upgrade its network or provide products and services to its customers in a competitive manner, or could suffer other disruptions to its business. In that event, U.S. Cellular's business, financial condition or results of operations could be adversely affected.

In addition, operation of U.S. Cellular's supply chain and management of its inventory require accurate forecasting of customer growth and demand, which has become increasingly challenging. If overall demand for wireless devices or the mix of demand for wireless devices is significantly different than U.S. Cellular's expectations, U.S. Cellular could face inadequate or excess supplies of particular models of wireless devices. This could result in lost sales opportunities or an excess supply of inventory. Either of these situations could adversely affect U.S. Cellular's revenues, costs of doing business, results of operations or financial condition.

Also, U.S. Cellular has other arrangements with third parties, including arrangements pursuant to which U.S. Cellular now outsources certain support functions to third party vendors. Operational problems associated with such functions, including any failure by the vendor to provide the required level of service under the outsourcing arrangements, could have adverse effects on U.S. Cellular's business, financial condition or results of operations.

22. U.S. Cellular has significant investments in entities that it does not control. Losses in the value of such investments could have an adverse effect on U.S. Cellular's financial condition or results of operations.

U.S. Cellular has significant investments in entities that it does not control, including equity investments and interests in certain variable interest entities. U.S. Cellular's interests in such entities do not provide U.S. Cellular with control over the business strategy, financial goals, network build-out plans or other operational aspects of these entities. U.S. Cellular cannot provide assurance that these entities will operate in a manner that will increase or maintain the value of U.S. Cellular's investments, that U.S. Cellular's proportionate share of income from these investments will continue at the current level in the future or that U.S. Cellular will not incur losses from the holding of such investments. Losses in the values of such investments or a reduction in income from these investments could adversely affect U.S. Cellular's financial condition or results of operations.

In addition, certain investments have historically contributed significant cash flows to U.S. Cellular and a reduction or suspension of such cash flows could adversely affect U.S. Cellular's financial condition. Specifically, U.S. Cellular holds a 5.5% ownership interest in the Los Angeles SMSA Limited Partnership and Subsidiary ("LA Partnership"). In periods prior to 2015, U.S. Cellular received significant cash distributions from this investment. U.S. Cellular did not receive any cash distributions in 2015 from the LA Partnership as U.S. Cellular was informed by the general partner that, in connection with the acquisition of a spectrum license covering the LA Partnership's market in FCC Auction 97, the LA Partnership would not make a cash distribution in 2015. Notwithstanding the lack of a cash distribution, U.S. Cellular will be obligated to make tax payments on its share of any taxable income reported by the LA Partnership in 2015 and beyond. The amount of future cash distributions from the LA Partnership are uncertain, and could be impacted by conditions in its markets as well as by future spectrum purchases.

23. A failure by U.S. Cellular to maintain flexible and capable telecommunication networks or information technology, or a material disruption thereof, could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

U.S. Cellular relies extensively on its telecommunication networks and information technology to operate and manage its business, process transactions and summarize and report results. These networks and technology become obsolete over time and must be upgraded, replaced and/or otherwise enhanced over time. Enhancements must be more flexible and dependable than ever before. All of this is capital intensive and challenging. A failure by U.S. Cellular to maintain flexible and capable telecommunication networks or information technology could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

The increased provision of data services has introduced significant new demands on U.S. Cellular's network and also has increased complexities related to network management. Further, the increased provision of data services on U.S. Cellular's networks has created an increased level of risk related to quality of service. This is due to the fact that many customers increasingly rely on data communications to execute and validate transactions. As a result, redundancy and geographical diversity of U.S. Cellular's network facilities are critical to providing uninterrupted service. Also, the speed of repair and maintenance procedures in the event of network interruptions is critical to maintaining customer satisfaction. U.S. Cellular's ability to maintain high-quality, uninterrupted service to its customers is critical, particularly given the increasingly competitive environment and customers' ability to choose other service providers.

In addition, U.S. Cellular's networks and information technology and the networks and information technology of vendors on which U.S. Cellular relies are subject to damage or interruption due to various events, including power outages, computer, network and telecommunications failures, computer viruses, security breaches, hackers and other cyber security risks, catastrophic events, natural disasters, errors or unauthorized actions by employees and vendors, flawed conversion of systems, disruptive technologies and technology changes.

24. U.S. Cellular has experienced and, in the future, expects to experience cyber-attacks or other breaches of network or information technology security of varying degrees on a regular basis, which could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

U.S. Cellular experiences cyber-attacks of varying degrees on a regular basis. U.S. Cellular maintains administrative, technical and physical controls, as well as other preventative actions, to reduce the risk of security breaches. Although to date U.S. Cellular has not experienced a material security breach, these efforts may be insufficient to prevent a security breach stemming from future cyber-attacks. If U.S. Cellular's or its vendors' networks and information technology are not adequately adapted to changes in technology or are damaged or fail to function properly, and/or if U.S. Cellular's or its vendors' security is breached or otherwise compromised, U.S. Cellular could suffer adverse consequences, including theft, destruction or other loss of critical and private data, including customer and/or employee data, interruptions or delays in its operations, inaccurate billings, inaccurate financial reporting, and significant costs to remedy the problems. If U.S. Cellular's or its vendors' systems become unavailable or suffer a security breach of customer or other data, U.S. Cellular may be required to expend significant resources and take various actions to address the problems, including notification under data privacy laws and regulations, may be subject to fines, sanctions and litigation, and its reputation and operating results could be adversely affected. Any material disruption in U.S. Cellular's networks or information technology, including security breaches, could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

25. The market price of U.S. Cellular's Common Shares is subject to fluctuations due to a variety of factors.

Factors that may affect the future market price of U.S. Cellular's Common Shares include:

- General economic conditions, including conditions in the credit and financial markets;
- Industry conditions;
- Fluctuations in U.S. Cellular's quarterly customer additions, churn rate, revenues, results of operations or cash flows;
- Variations between U.S. Cellular's actual financial and operating results and those expected by analysts and investors; and
- Announcements by U.S. Cellular's competitors.

Any of these or other factors could adversely affect the future market price of U.S. Cellular's Common Shares, or could cause the future market price of U.S. Cellular's Common Shares to fluctuate from time to time.

26. Changes in facts or circumstances, including new or additional information, could require U.S. Cellular to record charges in excess of amounts accrued in the financial statements, which could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

The preparation of financial statements requires U.S. Cellular to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. U.S. Cellular bases its estimates on historical experience and on various other assumptions and information that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from estimates under different assumptions or conditions. Changes in facts or circumstances, including new or additional information, could require U.S. Cellular to record charges in excess of amounts accrued in the financial statements, if any, which could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

27. Disruption in credit or other financial markets, a deterioration of U.S. or global economic conditions or other events could, among other things, impede U.S. Cellular's access to or increase the cost of financing its operating and investment activities and/or result in reduced revenues and lower operating income and cash flows, which would have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

Disruptions in the credit and financial markets, declines in consumer confidence, increases in unemployment, declines in economic growth and uncertainty about corporate earnings could have a significant negative impact on the U.S. and global financial and credit markets and the overall economy. Such events could have an adverse impact on financial institutions resulting in limited access to capital and credit for many companies. Furthermore, economic uncertainties make it very difficult to accurately forecast and plan future business activities. Changes in economic conditions, changes in financial markets, deterioration in the capital markets or other factors could have an adverse effect on U.S. Cellular's business, financial condition, revenues, results of operations and cash flows.

28. Settlements, judgments, restraints on its current or future manner of doing business and/or legal costs resulting from pending and future litigation could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

U.S. Cellular is regularly involved in a number of legal and policy proceedings before the FCC and various state and federal courts. Such legal and policy proceedings can be complex, costly, protracted and highly disruptive to business operations by diverting the attention and energies of management and other key personnel.

The assessment of legal and policy proceedings is a highly subjective process that requires judgments about future events. Additionally, amounts ultimately received or paid upon settlement or resolution of litigation and other contingencies may differ materially from amounts accrued in the financial statements. Depending on a range of factors, these or similar proceedings could impose restraints on U.S. Cellular's current or future manner of doing business. Such potential outcomes could have an adverse effect on U.S. Cellular's financial condition, results of operations or ability to do business.

29. The possible development of adverse precedent in litigation or conclusions in professional studies to the effect that radio frequency emissions from wireless devices and/or cell sites cause harmful health consequences, including cancer or tumors, or may interfere with various electronic medical devices such as pacemakers, could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

Media reports and certain professional studies have suggested that certain radio frequency emissions from wireless devices may be linked to various health problems, including cancer or tumors, and may interfere with various electronic medical devices, including hearing aids and pacemakers. U.S. Cellular is a party to and may in the future be a party to lawsuits against wireless carriers and other parties claiming damages for alleged health effects, including cancer or tumors, arising from wireless phones or radio frequency transmitters. Concerns over radio frequency emissions may discourage use of wireless devices or expose U.S. Cellular to potential litigation. In addition, the FCC or other regulatory authorities may adopt regulations in response to concerns about radio frequency emissions. Any resulting decrease in demand for wireless services, costs of litigation and damage awards or regulation could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

In addition, some studies have indicated that some aspects of using wireless devices while driving may impair drivers' attention in certain circumstances, making accidents more likely. These concerns could lead to potential litigation relating to accidents, deaths or serious bodily injuries, any of which could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

Numerous state and local legislative bodies have enacted or proposed legislation restricting or prohibiting the use of wireless devices while driving motor vehicles. These enacted or proposed laws or other similar laws, if passed, could have the effect of reducing customer usage and/or increasing costs, which could have an adverse effect on U.S. Cellular's business, financial condition, or results of operations.

30. Claims of infringement of intellectual property and proprietary rights of others, primarily involving patent infringement claims, could prevent U.S. Cellular from using necessary technology to provide products or services or subject U.S. Cellular to expensive intellectual property litigation or monetary penalties, which could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

U.S. Cellular faces possible effects of industry litigation relating to patents, other intellectual property or otherwise, that may restrict U.S. Cellular's access to devices for sale to customers. If technology that U.S. Cellular uses in products or services were determined by a court to infringe a patent or other intellectual property right held by another person, U.S. Cellular could be precluded from using that technology and could be required to pay significant monetary damages. U.S. Cellular also may be required to pay significant royalties to such person to continue to use such technology in the future. The successful enforcement of any intellectual property rights, or U.S. Cellular's inability to negotiate a license for such rights on acceptable terms, could force U.S. Cellular to cease using the relevant technology and offering services incorporating the technology. Any litigation to determine the validity of claims that U.S. Cellular's products or services infringe or may infringe intellectual property rights of another, regardless of their merit or resolution, could be costly and divert the effort and attention of U.S. Cellular's management and technical personnel. Regardless of the merits of any specific claim, U.S. Cellular cannot give assurance that it would prevail in litigation because of the complex technical issues and inherent uncertainties in intellectual property litigation. Although U.S. Cellular generally seeks to obtain indemnification agreements from vendors that provide it with technology, there can be no assurance that any claim of infringement will be covered by an indemnity or that U.S. Cellular will be able to recover all or any of its losses and costs under any available indemnity agreements. Any claims of infringement of intellectual property and proprietary rights of others could prevent U.S. Cellular from using necessary technology to provide its services or subject U.S. Cellular to expensive intellectual property litigation or monetary penalties, which could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.

31. There are potential conflicts of interests between TDS and U.S. Cellular.

TDS owns over 80% of the combined total of both classes of common stock of U.S. Cellular, including a majority of the outstanding Common Shares and 100% of the Series A Common Shares, and controls over 96% of their combined voting power. As a result, TDS is effectively able to elect all of U.S. Cellular's fourteen directors and otherwise control the management and operations of U.S. Cellular. Seven of the fourteen directors of U.S. Cellular are also directors of TDS and/or executive officers of TDS and/or U.S. Cellular. Directors and officers of TDS who are also directors or officers of U.S. Cellular, and TDS as U.S. Cellular's controlling shareholder, are in positions involving the possibility of conflicts of interest with respect to certain transactions concerning U.S. Cellular. When the interests of TDS and U.S. Cellular diverge, TDS may exercise its influence in its own best interests.

U.S. Cellular and TDS have entered into contractual arrangements governing certain transactions and relationships between them. These agreements were executed prior to the initial public offering of U.S. Cellular's Common Shares and were not the result of arm's-length negotiations. Accordingly, there is no assurance that the terms and conditions of these agreements are as favorable to U.S. Cellular as could have been obtained from unaffiliated third parties. See "Certain Relationships and Related Transactions" in this Form 10-K.

Conflicts of interest may arise between TDS and U.S. Cellular when faced with decisions that could have different implications for U.S. Cellular and TDS, including technology decisions, financial budgets, the payment of distributions by U.S. Cellular, agreements or transactions between TDS and U.S. Cellular, business activities and other matters. TDS also may take action that favors its other businesses and the interests of its shareholders over U.S. Cellular's wireless business and the interests of U.S. Cellular shareholders and debt holders. Because TDS controls U.S. Cellular, conflicts of interest could be resolved in a manner adverse to U.S. Cellular and its other shareholders or its debt holders.

The U.S. Cellular Restated Certificate of Incorporation provides that, so long as not less than 500,000 Series A Common Shares are outstanding, U.S. Cellular, without the written consent of TDS, shall not, directly or indirectly own, invest or otherwise have an interest in, lease, operate or manage any business other than a business engaged solely in the construction of, the ownership of interests in and/or the management of wireless telephone systems. This limitation on the scope of U.S. Cellular's potential business could hurt the growth of U.S. Cellular's business. This restriction would preclude U.S. Cellular from pursuing attractive related or unrelated business opportunities unless TDS consents in writing. TDS has no obligation to consent to any business opportunities proposed by U.S. Cellular and may withhold its consent in its own best interests.

32. Certain matters, such as control by TDS and provisions in the U.S. Cellular Restated Certificate of Incorporation, may serve to discourage or make more difficult a change in control of U.S. Cellular.

The control of U.S. Cellular by TDS may tend to deter non-negotiated tender offers or other efforts to obtain control of U.S. Cellular and thereby deprive shareholders of opportunities to sell shares at prices higher than those prevailing in the market.

The U.S. Cellular Restated Certificate of Incorporation also contains provisions which may serve to discourage or make more difficult a change in control of U.S. Cellular without the support of TDS or without meeting various other conditions. In particular, the authorization of multiple classes of capital stock with different voting rights could prevent shareholders from profiting from an increase in the market value of their shares as a result of a change in control of U.S. Cellular by delaying or preventing such change in control.

The U.S. Cellular Restated Certificate of Incorporation also authorizes the U.S. Cellular Board of Directors to designate and issue Preferred Shares in one or more classes or series from time to time. Generally, no further action or authorization by the shareholders is necessary prior to the designation or issuance of the additional Preferred Shares authorized pursuant to the U.S. Cellular Restated Certificate of Incorporation unless applicable laws or regulations would require such approval in a given instance. Such Preferred Shares could be issued in circumstances that would serve to preserve TDS' control of U.S. Cellular.

33. Any of the foregoing events or other events could cause revenues, earnings, capital expenditures and/or any other financial or statistical information to vary from U.S. Cellular's forward-looking estimates by a material amount.

From time to time, U.S. Cellular may disclose forward-looking information, including estimates of future service revenues; various measures of income before income taxes; and/or capital expenditures. Any such forward-looking information includes consideration of known or anticipated changes to the extent disclosed, but dynamic market conditions and/or other unknown or unanticipated events, including but not limited to the risks discussed above, could cause such estimates to differ materially from the actual amounts.

Item 1B. Unre solved Staff Comments

None.

Item 2. Pr operties

U.S. Cellular has properties located throughout the United States. U.S. Cellular's mobile telephone switching offices, cell sites, call centers and retail stores are located primarily in U.S. Cellular's operating markets and are either owned or leased under long-term leases by U.S. Cellular, one of its subsidiaries, or the partnership, limited liability company or corporation which holds the license issued by the FCC.

As of December 31, 2015, U.S. Cellular's Property, plant and equipment, net of accumulated depreciation, totaled \$ 2,648.9 million.

U.S. Cellular considers the properties owned or leased by it and its subsidiaries to be maintained in good operating condition and suitable and adequate for its business operations.

Item 3. Leg al 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.

See Note 12 — Commitments and Contingencies in the Notes to Consolidated Financial Statements for further information.

Item 4. Mine S afety Disclosures

Not applicable.

PA RT II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market, holder, dividend and performance graph information is incorporated by reference from Exhibit 13 to this Form 10-K, Annual Report sections entitled "Shareholder Information" and "Consolidated Quarterly Information (Unaudited)."

U.S. Cellular has not paid any cash dividends, except for a special cash dividend of \$5.75 per share in June 2013, and currently intends to retain all earnings for use in U.S. Cellular's business.

Information relating to Issuer Purchases of Equity Securities is set forth below.

On November 20, 2009, U.S. Cellular announced by Form 8-K that 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. U.S. Cellular did not determine to terminate the foregoing Common Share repurchase program, or cease making further purchases thereunder, during the fourth quarter of 2015.

The following table provides certain information with respect to all purchases made by or on behalf of U.S. Cellular, and any open market purchases made by any "affiliated purchaser" (as defined by the SEC) of U.S. Cellular, of U.S. Cellular Common Shares during the fourth quarter of 2015.

Period	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Common Shares that May Yet Be Purchased Under the Plans or Programs
October 1 – 31, 2015	23,630	\$ 34.91	23,630	4,755,298
November 1 – 30, 2015	–	–	–	4,755,298
December 1 – 31, 2015	–	–	–	4,755,298
Total as of or for the quarter ended December 31, 2015	23,630	\$ 34.91	23,630	4,755,298

Item 6. Selected Financial Data

Incorporated by reference from Exhibit 13 to this Form 10-K, Annual Report section entitled "Selected Consolidated Financial Data," except for Ratio of earnings to fixed charges, which is incorporated herein by reference from Exhibit 12 to this Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Incorporated by reference from Exhibit 13 to this Form 10-K, Annual Report section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Incorporated by reference from Exhibit 13 to this Form 10-K, Annual Report section entitled "Market Risk."

Item 8. Financial Statements and Supplementary Data

Incorporated by reference from Exhibit 13 to this Form 10-K, 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," "Management's Report on Internal Control Over Financial Reporting," "Report of Independent Registered Public Accounting Firm," and "Consolidated Quarterly Information (Unaudited)." The Consolidated Statement of Comprehensive Income was not included because comprehensive income for the years ended December 31, 2015, 2014 and 2013 equaled net income.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

U.S. Cellular maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to U.S. Cellular's management, including its principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As required by SEC Rule 13a-15(b), U.S. Cellular carried out an evaluation, under the supervision and with the participation of management, including its principal executive officer and principal financial officer, of the effectiveness of the design and operation of U.S. Cellular's disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on this evaluation, the principal executive officer and principal financial officer have concluded that U.S. Cellular's disclosure controls and procedures were effective as of December 31, 2015, at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. U.S. Cellular's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). U.S. Cellular's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and, where required, the board of directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the issuer's assets that could have a material effect on the interim or annual consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of U.S. Cellular's management, including its principal executive officer and principal financial officer, U.S. Cellular conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2015, based on the criteria established in the 2013 version of *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management has concluded that U.S. Cellular maintained effective internal control over financial reporting as of December 31, 2015 based on criteria established in the 2013 version of *Internal Control — Integrated Framework* issued by the COSO.

The effectiveness of U.S. Cellular's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in the firm's report which is incorporated by reference into Item 8 of this Annual Report on Form 10-K from Exhibit 13 filed herewith.

Changes in Internal Control over Financial Reporting

There were no changes in U.S. Cellular's internal control over financial reporting during the fourth quarter of 2015 that have materially affected, or are reasonably likely to materially affect, U.S. Cellular's internal control over financial reporting.

Item 9B. Other Information

None.

PAR T III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated by reference from Proxy Statement sections entitled “Election of Directors,” “Corporate Governance,” “Executive Officers” and “Section 16(a) Beneficial Ownership Reporting Compliance.”

Item 11. Executive Compensation

Incorporated by reference from Proxy Statement section entitled “Executive and Director Compensation.”

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated by reference from Proxy Statement sections entitled “Security Ownership of Certain Beneficial Owners and Management” and “Securities Authorized for Issuance under Equity Compensation Plans.”

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated by reference from Proxy Statement sections entitled “Corporate Governance” and “Certain Relationships and Related Transactions.”

Item 14. Principal Accountant Fees and Services

Incorporated by reference from Proxy Statement section entitled “Fees Paid to Principal Accountants.”

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) Financial Statements

Consolidated Statement of Operations	Annual Report*
Consolidated Statement of Cash Flows	Annual Report*
Consolidated Balance Sheet	Annual Report*
Consolidated Statement of Changes in Equity	Annual Report*
Notes to Consolidated Financial Statements	Annual Report*
Management's Report on Internal Control Over Financial Reporting	Annual Report*
Report of Independent Registered Public Accounting Firm — PricewaterhouseCoopers LLP	Annual Report*
Consolidated Quarterly Information (Unaudited)	Annual Report*

*Incorporated by reference from Exhibit 13.

(2) Financial Statement Schedules

	Location
Los Angeles SMSA Limited Partnership and Subsidiary Financial Statements	S-1
Report of Independent Registered Public Accounting Firm — Ernst & Young LLP	S-2
Report of Independent Registered Public Accounting Firm — Deloitte & Touche LLP	S-3
Consolidated Balance Sheets	S-4
Consolidated Statements of Income and Comprehensive Income	S-5
Consolidated Statements of Changes in Partners' Capital	S-6
Consolidated Statements of Cash Flows	S-7
Notes to Consolidated Financial Statements	S-8

All other schedules have been omitted because they are not applicable or not required or because the required information is shown in the financial statements or notes thereto.

(3) Exhibits

The exhibits set forth in the accompanying Index to Exhibits are filed as a part of this Report. Compensatory plans or arrangements are identified in the Index to Exhibits with an asterisk.

**LOS ANGELES SMSA LIMITED PARTNERSHIP AND SUBSIDIARY
FINANCIAL STATEMENTS**

U.S. Cellular owns a 5.5% limited partnership interest in the Los Angeles SMSA Limited Partnership and accounts for such interest by the equity method. The partnership's consolidated financial statements were obtained by U.S. Cellular as a limited partner.

Report of Independent Registered Public Accounting Firm

The Partners of Los Angeles SMSA

Limited Partnership

We have audited the accompanying consolidated balance sheets of Los Angeles SMSA Limited Partnership and Subsidiary (the Partnership) as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, changes in partners' capital and cash flows for each of the two years in the period ended December 31, 2015. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Partnership's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Partnership at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP
Certified Public Accountants

Orlando, Florida
February 24, 2016

Report of Independent Registered Public Accounting Firm

To the Partners of
Los Angeles SMSA Limited Partnership:
Basking Ridge, New Jersey

We have audited the accompanying statement of operations, changes in partners' capital, and cash flow of Los Angeles SMSA Limited Partnership (the "Partnership") for the year ended December 31, 2013. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the results of operations, changes in partners' capital, and cash flows of the Partnership as of December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 28, 2014

Los Angeles SMSA Partnership and Subsidiary

Consolidated Balance Sheets - As of December 31, 2015 and 2014

(Dollars in Thousands)	2015	2014
ASSETS		
CURRENT ASSETS:		
Due from affiliate	\$ —	\$ 205,273
Accounts receivable, net of allowance of \$37,090 and \$24,136	407,622	529,649
Unbilled revenue	22,883	24,511
Prepaid expenses	11,785	13,188
Total current assets	442,290	772,621
PROPERTY, PLANT AND EQUIPMENT - NET	1,804,877	1,715,460
WIRELESS LICENSES	2,073,751	79,543
OTHER ASSETS	252,751	99,652
TOTAL ASSETS	\$ 4,573,669	\$ 2,667,276
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 190,807	\$ 168,893
Advance billings and other	166,533	197,715
Financing obligation	12,494	—
Deferred rent	8,382	4,923
Due to affiliate	348,724	—
Total current liabilities	726,940	371,531
LONG TERM LIABILITIES:		
Deferred rent	108,607	23,950
Financing obligation	113,016	—
Other liabilities	42,067	38,021
Total long term liabilities	263,690	61,971
Total liabilities	990,630	433,502
PARTNERS' CAPITAL		
General Partner's interest	1,433,215	893,509
Limited Partners' interest	2,149,824	1,340,265
Total partners' capital	3,583,039	2,233,774
PARTNERS' CAPITAL	3,583,039	2,233,774
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 4,573,669	\$ 2,667,276

See notes to consolidated financial statements.

Los Angeles SMSA Limited Partnership and Subsidiary

Consolidated Statements of Income and Comprehensive Income - For the Years Ended December 31, 2015, 2014 and 2013

(Dollars in Thousands)	2015	2014	2013
OPERATING REVENUE:			
Service revenue	\$ 4,181,377	\$ 4,317,377	\$ 4,166,296
Equipment revenue	943,419	650,130	457,454
Other	221,918	201,427	210,509
Total operating revenue	<u>5,346,714</u>	<u>5,168,934</u>	<u>4,834,259</u>
OPERATING EXPENSES:			
Cost of service (exclusive of depreciation and amortization)	968,132	863,031	753,438
Cost of equipment	1,267,801	1,195,874	885,502
Depreciation and amortization	360,463	344,887	337,313
Selling, general and administrative	1,397,856	1,470,669	1,445,229
Total operating expenses	<u>3,994,252</u>	<u>3,874,461</u>	<u>3,421,482</u>
OPERATING INCOME	<u>1,352,462</u>	<u>1,294,473</u>	<u>1,412,777</u>
OTHER (EXPENSE) INCOME:			
Interest (expense) income, net	(3,197)	4,199	1,520
Other	-	-	4,941
Total other (expense) income	<u>(3,197)</u>	<u>4,199</u>	<u>6,461</u>
NET INCOME AND COMPREHENSIVE INCOME	<u>\$ 1,349,265</u>	<u>\$ 1,298,672</u>	<u>\$ 1,419,238</u>
Allocation of Net Income:			
General Partner	\$ 539,706	\$ 519,468	\$ 567,695
Limited Partners	\$ 809,559	\$ 779,204	\$ 851,543

See notes to consolidated financial statements.

Los Angeles SMSA Limited Partnership and Subsidiary

Consolidated Statements of Changes in Partners' Capital - Years Ended December 31, 2015, 2014 and 2013

(Dollars in Thousands)

	General Partner	Limited Partners			
	AirTouch Cellular	AirTouch Cellular	Cellco Partnership	United States Cellular Corporation	Total Partners' Capital
BALANCE - January 1, 2013	\$ 766,346	\$ 810,411	\$ 233,736	\$ 105,371	\$ 1,915,864
Distributions	(520,000)	(549,900)	(158,600)	(71,500)	(1,300,000)
Net Income	567,695	600,337	173,146	78,060	1,419,238
BALANCE - December 31, 2013	\$ 814,041	\$ 860,848	\$ 248,282	\$ 111,931	\$ 2,035,102
Distributions	(440,000)	(465,300)	(134,200)	(60,500)	(1,100,000)
Net Income	519,468	549,338	158,438	71,428	1,298,672
BALANCE - December 31, 2014	\$ 893,509	\$ 944,886	\$ 272,520	\$ 122,859	\$ 2,233,774
Net Income	539,706	570,740	164,611	74,208	1,349,265
BALANCE - December 31, 2015	\$ 1,433,215	\$ 1,515,626	\$ 437,131	\$ 197,067	\$ 3,583,039

See notes to consolidated financial statements.

Los Angeles SMSA Limited Partnership and Subsidiary

Consolidated Statements of Cash Flows - Years Ended December 31, 2015, 2014 and 2013

(Dollars in Thousands)	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 1,349,265	\$ 1,298,672	\$ 1,419,238
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	360,463	344,887	337,313
Imputed interest on financing obligation	9,135	-	-
Amortization of lease transaction	(4,942)	(4,942)	(4,941)
Provision for losses on accounts receivable	79,063	34,370	44,339
Gain on sale of device installment plan receivables	(7,632)	-	-
Changes in certain assets and liabilities:			
Accounts receivable	42,964	(200,950)	(68,809)
Unbilled revenue	1,628	(4,441)	(579)
Prepaid expenses	1,403	(8,831)	180
Other assets	(151,954)	(91,809)	(8,193)
Accounts payable and accrued liabilities	24,105	32,591	(15,872)
Advance billings and customer deposits	(31,182)	45,017	7,849
Deferred rent	93,057	-	-
Other liabilities	4,046	3,610	10,447
Net cash provided by operating activities	<u>1,769,419</u>	<u>1,448,174</u>	<u>1,720,972</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(470,954)	(487,511)	(371,385)
Fixed asset transfers out	25,371	27,816	23,459
Acquisition of wireless licenses	(1,994,208)	-	-
Change in due from affiliate	(583,060)	111,521	(73,046)
Net cash used in investing activities	<u>(3,022,851)</u>	<u>(348,174)</u>	<u>(420,972)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in due to affiliate	1,137,057	-	-
Proceeds from financing obligation	126,635	-	-
Repayments on financing obligation	(10,260)	-	-
Distributions	-	(1,100,000)	(1,300,000)
Net cash provided by (used in) financing activities	<u>1,253,432</u>	<u>(1,100,000)</u>	<u>(1,300,000)</u>
CHANGE IN CASH	-	-	-
CASH - Beginning of year	-	-	-
CASH - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CASH PAID FOR INTEREST	<u>\$ 24,269</u>	<u>\$ -</u>	<u>\$ -</u>
NONCASH TRANSACTIONS FROM INVESTING ACTIVITIES:			
Accruals for Capital Expenditures	<u>\$ 28,829</u>	<u>\$ 31,019</u>	<u>\$ 12,689</u>

See notes to consolidated financial statements.

Los Angeles SMSA Limited Partnership and Subsidiary

Notes to Consolidated Financial Statements – Years Ended December 31, 2015, 2014 and 2013.

(Dollars in Thousands)

1. ORGANIZATION AND MANAGEMENT

The Consolidated Financial Statements include the accounts of the Los Angeles SMSA Limited Partnership and Los Angeles Edge LLC, a wholly owned subsidiary of Los Angeles SMSA Limited Partnership, (collectively, the “Partnership”). The principal activity of Los Angeles SMSA Limited Partnership, formed in 1984, is to provide cellular service in the Los Angeles metropolitan service area. Los Angeles Edge LLC was formed during 2015 and is a bankruptcy remote special purpose entity, created for the purpose of selling wireless device installment plan receivables to third parties (see Note 3).

In accordance with the partnership agreement, Cellco Partnership (“Cellco”), doing business as Verizon Wireless, is responsible for managing the operations of the partnership (see Note 8).

The partners and their respective ownership percentages of the Partnership as of December 31, 2015, 2014 and 2013 are as follows:

General Partner:	
AirTouch Cellular*	40.0%
Limited Partners:	
AirTouch Cellular*	42.3%
Cellco Partnership	12.2%
United States Cellular Corporation	5.5%

* AirTouch Cellular is a wholly-owned subsidiary of Verizon Wireless (VAW) LLC, which is a wholly-owned subsidiary of Cellco.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation – The method of accounting applied to consolidated investments, involves an evaluation of all significant terms of the investments that explicitly grant or suggest evidence of control or influence over the operations of the investee. The consolidated financial statements include a variable interest entity (VIE) where the Partnership is deemed to be the primary beneficiary. All significant intercompany accounts and transactions have been eliminated (see Note 3).

Use of estimates – The financial statements are prepared using U.S. generally accepted accounting principles (GAAP), which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Examples of significant estimates include: the allowance for doubtful accounts, the recoverability of plant, property and equipment, the recoverability of intangible assets and other long-lived assets, unbilled revenues, fair values of financial instruments, deferred purchase price, accrued expenses and contingencies.

Revenue recognition – The Partnership offers products and services to customers through bundled arrangements. These arrangements involve multiple deliverables which may include products, services, or a combination of products and services.

The Partnership earns service revenue primarily by providing access to and usage of its network as well as the sale of equipment. In general, access revenue is billed one month in advance and recognized when earned. Usage revenue is generally billed in arrears and recognized when service is rendered. Equipment sales revenue associated with the sale of wireless devices and accessories is generally recognized when the products are delivered to and accepted by the customer, as this is considered to be a separate earnings process from providing wireless services. For agreements involving the resale of third-party services in which the Partnership is considered the primary obligor in the arrangements, the revenue is recorded gross at the time of the sale.

Under the Verizon device payment program (formerly known as Verizon Edge), eligible wireless customers purchase phones or tablets at unsubsidized prices on an installment basis (a device installment plan). Certain devices are subject to promotions that allow customers to upgrade to a new device after paying down the minimum percentage of the device installment plan and trading in their device. When a customer has the right to upgrade to a new device by paying down the minimum percentage of the device installment plan and trading in their device, this trade-in right is accounted for as a guarantee liability. The full amount of the trade-in right's fair value (not an allocated value) is recognized as a guarantee liability and the remaining consideration is recorded as equipment revenue. The value of the guarantee liability effectively results in a reduction to the revenue recognized for the sale of the device.

In multiple element arrangements that bundle devices and monthly wireless service, revenue is allocated to each unit of accounting using a relative selling price method. At the inception of the arrangement, the amount allocable to the delivered units of accounting is limited to the amount that is not contingent upon the delivery of the monthly wireless service (the noncontingent amount). The Partnership effectively recognizes revenue on the delivered device at the lesser of the amount allocated based on the relative selling price of the device or the noncontingent amount owed when the device is sold.

Roaming revenue reflects service revenue earned by the Partnership when customers not associated with the Partnership operate in the service area of the Partnership and use the Partnership's network. The roaming rates with third party carriers associated with those customers are based on agreements with such carriers. The roaming rates charged by the Partnership to Cellco are established by Cellco on a periodic basis and may not reflect current market rates (see Note 8).

Operating expenses – Operating expenses include expenses incurred directly by the Partnership, as well as an allocation of selling, general and administrative, and operating costs incurred by Cellco or its affiliates on behalf of the Partnership. Employees of Cellco provide services on behalf of the Partnership. These employees are not employees of the Partnership, therefore operating expenses include direct and allocated charges of salary and employee benefit costs for the services provided to the Partnership. Cellco believes such allocations, principally based on the Partnership's percentage of certain revenue streams, total customers, customer gross additions or minutes-of-use, are calculated in accordance with the Partnership Agreement and are a reasonable method of allocating such costs.

Cost of roaming reflects costs incurred by the Partnership when customers associated with the Partnership operate in a service area not associated with the Partnership and use a network not associated with the Partnership. The roaming rates with third party carriers are based on agreements with such carriers. The roaming rates charged to the Partnership by Cellco are established by Cellco on a periodic basis and may not reflect current market rates (see Note 8).

Cost of equipment is recorded upon sale of the related equipment at Cellco's cost basis. Inventory is wholly owned by Cellco and is not recorded in the financial statements of the Partnership.

Maintenance and repairs – The cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, is charged principally to Cost of services as these costs are incurred.

Advertising costs – Costs for advertising products and services as well as other promotional and sponsorship costs are charged to Selling, general and administrative expense in the periods in which they are incurred.

Comprehensive income – Comprehensive income is the same as net income as presented in the accompanying consolidated statements of income and comprehensive income.

Income taxes – The Partnership is treated as a pass through entity for income tax purposes and, therefore, is not subject to federal, state or local income taxes. Accordingly, no provision has been recorded for income taxes in the Partnership's financial statements. The results of operations, including taxable income, gains, losses, deductions and credits, are allocated to and reflected on the income tax returns of the respective partners.

The Partnership files federal and state tax returns. The 2012 through 2015 tax years for the Partnership remain subject to examination by the Internal Revenue Service and state tax jurisdiction. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by taxing authorities.

Due to/from affiliate – Due to/from affiliate principally represents the Partnership's cash position with Cellco. Cellco manages, on behalf of the Partnership, all cash, investing and financing activities of the Partnership. As such, the change in due to/from affiliate is reflected as an investing activity or a financing activity in the statements of cash flows depending on whether it represents a net asset or net liability for the Partnership.

Additionally, cost of equipment, administrative and operating costs incurred by Cellco on behalf of the Partnership, as well as property, plant and equipment and wireless license transactions with affiliates, are charged to the Partnership through this account. Interest income is based on the Applicable Federal Rate which was approximately 0.5%, 0.3% and 0.2% for the years ended December 31, 2015, 2014 and 2013, respectively. Interest expense is calculated by applying Cellco's average cost of borrowing from Verizon Communications, Inc, which was approximately 4.8%, 5.0% and 7.4% for the years ended December 31, 2015, 2014 and 2013, respectively to the outstanding due to/from affiliate balance. Included in interest (expense) income, net is \$0, \$1,706 and \$1,352 for the years ended December 31, 2015, 2014 and 2013, respectively, related to due to/from affiliate. Interest expense of \$23,878 was incurred during the year ended December 31, 2015, of which all was capitalized.

Accounts receivable and allowance for doubtful accounts – Accounts receivable are recorded in the consolidated financial statements at cost net of allowance for credit losses. The Partnership maintains allowances for uncollectible accounts receivable, including device installment plan receivables, for estimated losses resulting from the failure or inability customers to make required payments. Similar to traditional service revenue accounting treatment, the device installment plan bad debt expense is recorded based on an estimate of the percentage of equipment revenue that will not be collected. This estimate is based on a number of factors including historical write-off experience, credit quality of the customer base and other factors such as macro-economic conditions. Due to the device installment plan being incorporated in the standard Verizon Wireless bill, the collection and risk strategies continue to follow historical practices. The Partnership monitors the aging of accounts with device installment plan receivables and writes off account balances if collection efforts are unsuccessful and future collection is unlikely.

Property, plant and equipment – Property, plant and equipment is recorded at cost. Property, plant and equipment are generally depreciated on a straight-line basis.

Leasehold improvements are amortized over the shorter of the estimated life of the improvement or the remaining term of the related lease, calculated from the time the asset was placed in service.

When the depreciable assets are retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the property, plant and equipment accounts, and any gains or losses on disposition are recognized in income. Transfers of property, plant and equipment between Cellco and affiliates are recorded at net book value on the date of the transfer with an offsetting entry included in due to/from affiliate.

Interest associated with the construction of network-related assets is capitalized. Capitalized interest is reported as a reduction in interest expense and depreciated as part of the cost of the network-related assets.

Impairment – All long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any indications were to become present, the Partnership would test for recoverability by comparing the carrying amount of the asset group to the net undiscounted cash flows expected to be generated from the asset group. If those net undiscounted cash flows do not exceed the carrying amount, the next step would be to determine the fair value of the asset and record an impairment, if any. The Partnership reevaluates the useful life determinations for these long-lived assets each year to determine whether events and circumstances warrant a revision to their remaining useful lives.

Wireless licenses – A significant portion of intangible assets are wireless licenses that provide wireless operations with the exclusive right to utilize designated radio frequency spectrum to provide wireless communication services. The Partnership aggregates wireless licenses into one single unit of accounting, as they are utilized on an integrated basis. In addition, Cellco maintains wireless licenses that provide the Partnership wireless spectrum with the exclusive right to utilize designated radio frequency spectrum to provide wireless communication services. While licenses are issued for only a fixed time, generally ten years, such licenses are subject to renewal by the Federal Communications Commission (FCC). License renewals, which are managed by Cellco, have historically occurred routinely and at nominal cost. Moreover, the Partnership determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of wireless licenses. As a result, wireless licenses are treated as an indefinite-lived intangible asset. The useful life determination for wireless licenses is reevaluated each year to determine whether events and circumstances continue to support an indefinite useful life.

Cellco and the Partnership test the wireless licenses balance for potential impairment annually or more frequently if impairment indicators are present. The most recent quantitative assessment of wireless licenses at Cellco occurred in 2015. Cellco's quantitative assessment consisted of comparing the estimated fair value of wireless licenses to the aggregated carrying amount as of the test date. The Partnership performs a qualitative assessment to determine whether it is more likely than not that the fair value of wireless licenses was less than the carrying amount. Using the quantitative assessment, the licenses were evaluated on an aggregate basis using the Greenfield approach. The Greenfield approach is an income based valuation approach that values the wireless licenses by calculating the cash flow generating potential of a hypothetical start-up company that goes into business with no assets except the wireless licenses to be valued. A discounted cash flow analysis is used to estimate what a marketplace participant would be willing to pay to purchase the aggregated wireless licenses as of the valuation date. If the fair value of the aggregated wireless licenses is less than the aggregated carrying amount of the licenses, an impairment is recognized. In 2014 Cellco and the Partnership performed a qualitative assessment to determine whether it is more likely than not that the fair value of the wireless licenses was less than the carrying amount. As part of the qualitative assessment, several qualitative factors were considered including market transactions, the business enterprise value of Cellco, macroeconomic conditions (including changes in interest rates and discount rates), industry and market considerations (including industry revenue and EBITDA (Earnings before interest, taxes, depreciation and amortization) margin projections), the projected financial performance of Cellco, as well as other factors.

Interest expense incurred while qualifying activities are performed to ready wireless licenses for their intended use is capitalized as part of wireless licenses (see note 4). The capitalization period ends when the development is discontinued or substantially complete and the license is ready for its intended use.

In addition, Cellco believes that under the Partnership agreement it has the right to allocate, based on a reasonable methodology, any impairment loss recognized by Cellco for licenses included in Cellco's national footprint. Cellco and the Partnership evaluated their wireless licenses for potential impairment as of December 15, 2015 and 2014. These evaluations resulted in no impairment of wireless licenses.

Financial instruments – The Partnership's trade receivables and payables are short-term in nature, and accordingly, their carrying value approximates fair value.

Fair value measurements – Fair value of financial and non-financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 - No observable pricing inputs in the market

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their categorization within the fair value hierarchy.

Distributions – The Partnership is required to make distributions to its partners based upon the Partnership’s operating results, due to/from affiliate status, and financing needs as determined by the General Partner at the date of the distribution.

Variable interest entities – VIEs are entities which lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, have equity investors which do not have the ability to make significant decisions relating to the entity’s operations through voting rights, do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity. The assets and liabilities of the VIEs are consolidated when the Partnership is deemed to be the primary beneficiary. The primary beneficiary is the party which has the power to make the decisions that most significantly affect the economic performance of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

Recent accounting standards - In May 2014, the accounting standard update related to the recognition of revenue from contracts with customers was issued. This standard update clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP and International Financial Reporting Standards. The standard update intends to provide a more robust framework for addressing revenue issues; improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets; and provide more useful information to users of financial statements through improved disclosure requirements. Upon adoption of this standard update, it is expected that the allocation and timing of the Partnership’s revenue recognition will be impacted. In August 2015, an accounting standard update was issued that delays the effective date of this standard update until the first quarter of 2018. Companies are permitted to early adopt the standard update in the first quarter of 2017.

There are two adoption methods available for implementation of the standard update related to the recognition of revenue from contracts with customers. Under one method, the guidance is applied retrospectively to contracts for each reporting period presented, subject to allowable practical expedients. Under the other method, the guidance is applied only to the most current period presented, recognizing the cumulative effect of the change as an adjustment to the beginning balance of retained earnings, and also requires additional disclosures comparing the results to the previous guidance. Both adoption methods are currently being evaluated by management as well as the impact that this standard update will have on the financial statements.

Reclassifications – The Partnership reclassified certain prior year amounts to conform to the current year presentation.

Subsequent events – Events subsequent to December 31, 2015 have been evaluated through February 24, 2016, the date the financial statements were issued.

3. WIRELESS DEVICE INSTALLMENT PLANS

Under the Verizon device payment program, eligible wireless customers purchase phones or tablets at unsubsidized prices on an installment basis (a device installment plan). Customers that activate service on devices purchased under the device payment program pay lower service fees as compared to those under fixed-term service plans, and their installment charge is included in their standard wireless monthly bill. As of December 31, 2015 and 2014, respectively, the total portfolio of device installment plan receivables the Partnership is servicing was \$ 607,508 and \$ 243,385. During 2015, Cellco entered into programs to sell certain device installment receivables. The outstanding portfolio of device installment plan receivables derecognized from the Partnership’s consolidated balance sheets but which Cellco continues to service was \$ 447,981 at December 31, 2015.

Wireless device installment plan receivables - The following table displays device installment plan receivables, net, that continue to be recognized in the accompanying consolidated balance sheets:

	At December 31, 2015	At December 31, 2014
Device installment plan receivables, gross	\$ 159,527	\$ 243,385
Unamortized imputed interest	(6,534)	(10,410)
Device installment plan receivables, net of unamortized imputed interest	152,993	232,975
Allowance for credit losses	(25,873)	(3,205)
Device installment plan receivables, net	\$ 127,120	\$ 229,770
Classified on the balance sheets:		
Accounts receivable, net	\$ 68,785	\$ 151,297
Other assets	\$ 58,335	\$ 78,473
Device installment plan receivables, net	\$ 127,120	\$ 229,770

At the time of sale, the Partnership imputes risk adjusted interest on the device installment plan receivables. Imputed interest is recorded as a reduction to the related accounts receivable. Interest income, which is included within Interest income, net on the statement of income and comprehensive income, is recognized over the financed installment term.

The partnership assesses the collectability of device installment plan receivables based upon a variety of factors, including the credit quality of the customer base, payment trends and other qualitative factors. The credit quality of a customer is measured and eligibility is determined for the device payment program using custom, empirical risk models. Based upon the risk assessed by the models, a customer may be required to provide a down payment to enter into the program and may be subject to lower limits on the total amount financed. The down payment will vary in accordance with the risk assessed. The risk assessments are updated monthly based on payment trends and other qualitative factors in order to monitor the overall quality of receivables. The credit quality of the customer was consistent throughout the periods presented.

Activity in the allowance for credit losses for the device installment plan receivables was as follows:

Balance at January 1, 2015	\$	3,205
Bad debt expense		43,794
Write-offs		(16,962)
Allowance related to receivables sold		(6,115)
Other		1,951
Balance at December 31, 2015	\$	<u>25,873</u>

Customers entering into device installment agreements prior to May 31, 2015, have the right to upgrade their device, subject to certain conditions, including making a stated portion of the required device payments and trading in their device. Generally, customers entering into device installment agreements on or after June 1, 2015 are required to repay all amounts due under their device installment agreement before being eligible to upgrade their device. However, certain devices are subject to promotions that allow customers to upgrade to a new device after paying down the minimum percentage of their device installment plan and trading in their device. When a customer is eligible to upgrade to a new device, a guarantee liability is recorded in accordance with accounting policy. The gross guarantee liability related to the upgrade program, which was approximately \$ 14,972 at December 31, 2015 and \$ 41,562 at December 31, 2014, was primarily included in Other current liabilities on the consolidated balance sheets.

Sales of wireless device installment plan receivables - During the first quarter of 2015, Cellco established a program (Receivables Purchase Agreement, or RPA) to sell from time to time, on an uncommitted basis, eligible device installment plan receivables to a group of primarily relationship banks (Purchasers). Under the program, the Partnership transferred the eligible receivables to a wholly-owned subsidiary that is a bankruptcy remote special purpose entity (Seller or SPE). The Seller then sells the receivables to the Purchasers for upfront cash proceeds and additional consideration upon settlement of the receivables (the deferred purchase price). The receivables sold under the program are no longer considered assets of the Partnership. Cellco will continue to bill and collect on the receivables in exchange for a monthly servicing fee, which is not material. Eligible receivables under the RPA exclude device installment plans where a customer was required to provide a down payment.

During the fourth quarter of 2015, Cellco entered into a one-year uncommitted facility to sell eligible device installment plan receivables on a revolving basis (Revolving Program), subject to a maximum funding limit, to the Purchasers. Sales of eligible receivables by the Seller, once initiated, generally occur and are settled on a monthly basis. The receivables sold under the Revolving Program are no longer considered assets of the Partnership. Cellco will continue to bill and collect on the receivables in exchange for a monthly servicing fee, which is not material. Customer installment payments will be available to purchase eligible installment plan receivables originated over the facility's term. Eligible receivables under the Revolving Program exclude device installment plans where a customer was required to provide a down payment.

The sales of receivables under the RPA and Revolving Program did not have a material impact on the consolidated statements of income and comprehensive income. The cash proceeds received from the Purchasers are recorded within Cash flows provided by operating activities on the consolidated statement of cash flows.

The following table provides a summary of device installment receivables sold under the RPA and the Revolving Program during the year ended December 31, 2015:

	RPA	Revolving Program	Total
Device installment plan receivables sold, net ¹	\$ 418,615	\$ 201,283	\$ 619,898
Cash proceeds received ²	308,659	168,854	477,513
Deferred purchase price recorded	117,587	32,429	150,016

¹ Device installment plan receivables net of allowances, imputed interest and the device trade-in right.

² As of December 31, 2015, cash proceeds received, net of remittances, were \$378,966.

Variable interest entities - Under both the RPA and the Revolving Program, the SPE's sole business consists of the acquisition of the receivables from the Partnership and the resale of the receivables to the Purchasers. The assets of the SPEs are not available to be used to satisfy obligations of any Partnership entities other than the Sellers. It was determined that the SPE is a VIE as they lack sufficient equity to finance their activities. Given that the Partnership has the power to direct the activities of the SPE that most significantly impact the SPE's economic performance, the Partnership is deemed to be the primary beneficiary of the SPE. As a result, the Partnership consolidates the assets and liabilities of the SPE into the consolidated financial statements (see Note 2).

Deferred purchase price - Under both the RPA and the Revolving Program, the deferred purchase price was initially recorded at fair value, based on the remaining installment amounts expected to be collected, adjusted, as applicable, for the time value of money and by the timing and estimated value of the device trade-in. The estimated value of the device trade-in considers prices expected to be offered to us by independent third parties. This estimate contemplates changes in value after the launch of a device. The initial fair value measurements are considered to be Level 3 measurements within the fair value hierarchy. The collection of the deferred purchase price is contingent on collections from customers. At December 31, 2015, the Partnership's deferred purchase price receivable was \$ 148,941 , which is held by the SPE and is included within Other assets on the consolidated balance sheet.

Continuing involvement - Cellco has continuing involvement with the sold receivables as it services the receivables. Cellco continues to service the customer and their related receivables, including facilitating customer payment collection, in exchange for a monthly servicing fee. While servicing the receivables, the same policies and procedures are applied to the sold receivables that apply to owned receivables, and Cellco continues to maintain normal relationships with customers. The credit quality of the customers served is consistent throughout the periods presented.

In addition, the Partnership has continuing involvement related to the sold receivables as they may be responsible for absorbing additional credit losses pursuant to the agreements. The Partnership's maximum exposure to loss related to the sold receivables is limited to the amount of the deferred purchase price, which was \$148,941 as of December 31, 2015. The maximum exposure to loss represents an estimated loss that would be incurred under severe, hypothetical circumstances whereby the Partnership would not receive the total portion of the proceeds withheld by the Purchasers. As the Partnership believes the probability of these circumstances occurring is remote, the maximum exposure to loss is not an indication of the Partnership's expected loss.

4. WIRELESS LICENSES

Changes in the carrying amount of wireless licenses are as follows:

Balance at January 1, 2014	\$	79,543
Acquisitions		-
Capitalized interest on wireless licenses		-
Reclassifications, adjustments and other		-
Balance at December 31, 2014	\$	79,543
Acquisitions		1,972,824
Capitalized interest on wireless licenses		21,075
Reclassifications, adjustments and other		309
Balance at December 31, 2015	\$	2,073,751

At December 31, 2015, \$1,972,824 of wireless licenses were under development for commercial service for which we were capitalizing interest costs.

Spectrum license transaction - On January 29, 2015, the FCC completed an auction of 65 MHz of spectrum, which it identified as the AWS-3 band. Cellco participated in that auction and was the high bidder on the license covering the Partnership service area. The licenses were deemed to be right to use assets and were allocated and recorded by the Partnership as wireless licenses. The cash payment made by the Partnership of \$1,972,824 is classified within Acquisitions of wireless licenses on the statement of cash flows for the year ended December 31, 2015.

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following as of December 31, 2015 and 2014:

	2015	2014
Land	\$ 7,716	\$ 7,730
Buildings and improvements (20-45 years)	836,428	725,592
Wireless plant and equipment (3-50 years)	3,973,684	3,753,115
Furniture, fixtures and equipment (2-10 years)	64,269	65,425
Leasehold improvements (5 years)	400,313	366,349
	5,282,410	4,918,211
Less: accumulated depreciation	(3,477,533)	(3,202,751)
Property, plant and equipment, net	\$ 1,804,877	\$ 1,715,460

Capitalized interest cost of \$ 2,803 and \$ 0 and capitalized network engineering costs of \$ 26,754 and \$ 26,564 were recorded during the years ended December 31, 2015 and 2014, respectively. Construction in progress included in certain classifications shown above, principally consists of wireless plant and equipment, amounted to \$ 106,935 and \$ 116,258 as of December 31, 2015 and 2014, respectively. Depreciation expense of \$353,975, \$343,883, and \$337,302 was incurred during the years ended December 31, 2015, 2014 and 2013.

6. TOWER MONETIZATION TRANSACTIONS

Prior to the acquisition of the Partnership interest by Cellco in 2000, Vodafone Group PLC ("Vodafone"), then parent company of AirTouch Cellular, entered into agreements to sublease all of its unused space on up to 430 of its communications towers ("Sublease Agreement") to SpectraSite Holdings, Inc. ("SpectraSite") in exchange for \$155,000. At various closings in 2001 and 2000, SpectraSite leased 274 communications towers owned and operated by the Partnership for \$98,465. At December 31, 2015 and 2014, the Partnership has \$ 23,932 and \$ 28,873 , respectively, recorded as deferred rent . The Sublease Agreement requires monthly maintenance fees for the existing physical space used by the Partnership's cellular equipment. The Partnership paid \$2,152, \$ 3,944 and \$ 8,872 to SpectraSite pursuant to the Sublease Agreement for the years ended December 31, 2015 , 2014 and 2013 , respectively, which is included in cost of service in the accompanying consolidated statements of income and comprehensive Income.

During March 2015, Verizon Communications, the parent company of Cellco, entered into an agreement with American Tower Corporation (ATC) giving ATC exclusive rights to lease and operate approximately 11,300 wireless towers owned and operated by Cellco and its subsidiaries for an upfront payment of \$5.0 billion. Verizon Communications also sold 162 towers to ATC for an upfront payment of \$0.1 billion. Under the terms of the lease agreements , ATC has exclusive rights to lease and operate the towers over an average term of approximately 28 years. As the leases expire, ATC has fixed-price purchase options to acquire these towers based on their anticipated fair market values at the end of the lease terms. There is subleased capacity on the towers from ATC for a minimum of 10 years at current market rates, with options to renew. The Partnership participated in this arrangement and has leased 538 towers to ATC for an upfront payment of \$ 221,653 and has sold 1 tower to ATC for an upfront payment of \$ 616 . The upfront payment, including the tower sold was \$ 222,269 and is accounted for as deferred rent and as a financing obligation. The \$ 95,634 accounted for as deferred rent is included in cash flows provided by operating activities and relates to the portion of the towers for which the right-of-use has passed to ATC . The deferred rent is being recognized on a straight-line basis over the Partnership's average lease term of 30 years. The \$ 126,635 accounted for as a financing obligation is included in cash flows provided by financing activities and relates to the portion of the towers that is to be occupied and used for the Partnership's network operations. The Partnership makes sublease payments to ATC for \$1.9 per month per site, with annual increases of 2 percent. During the year ended December 31, 2015, the Partnership made \$ 10,260 of sublease payments to ATC, which is recorded as repayments of financing obligation.

At December 31, 2015 and 2014, the balance of deferred rent was \$ 93,057 and \$ 0 , respectively. At December 31, 2015 and 2014, the balance of the financing obligation was \$ 125,510 and \$0, respectively.

7. CURRENT LIABILITIES

Accounts payable and accrued liabilities consist of the following as of December 31, 2015 and 2014:

	2015	2014
Accounts payable	\$ 174,883	\$ 153,147
Accrued liabilities	15,924	15,746
Accounts payable and accrued liabilities	<u>\$ 190,807</u>	<u>\$ 168,893</u>

Advanced billings and other consist of the following as of December 31, 2015 and 2014:

	2015	2014
Advance billings	\$ 142,652	\$ 154,098
Customer deposits	12,355	6,015
Guarantee liability	11,526	37,602
Advance billings and other	<u>\$ 166,533</u>	<u>\$ 197,715</u>

8. TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

In addition to fixed asset purchases and right to use licenses, substantially all of service revenues, equipment revenues, other revenues, cost of service, cost of equipment, and selling, general and administrative expenses represent transactions processed by affiliates (Cellco and its related parties) on behalf of the Partnership or represent transactions with affiliates. These transactions consist of (1) revenues and expenses that pertain to the Partnership which are processed by Cellco and directly attributed to or directly charged to the Partnership; (2) roaming revenue by customers of other Cellco affiliated markets within the Partnership market or Partnership customers' cost when roaming in other Cellco affiliated markets; and (3) certain revenues and expenses that are processed or incurred by Cellco which are allocated to the Partnership based on factors such as the Partnership's percentage of revenue streams, customers, gross customer additions, or minutes of use. These transactions do not necessarily represent arm's length transactions and may not represent all revenues and costs that would be present if the Partnership operated on a standalone basis. Cellco periodically reviews the methodology and allocation bases for allocating certain revenues, operating costs, selling, general and administrative expenses to the Partnership. Resulting changes, if any, in the allocated amounts have historically not been significant.

Service revenues - Service revenues include monthly customer billings processed by Cellco on behalf of the Partnership and roaming revenues relating to customers of other affiliated markets that are specifically identified to the Partnership. Service revenue also includes long distance, data, and certain revenue reductions including revenue concessions that are processed by Cellco and allocated to the Partnership based on certain factors deemed appropriate by Cellco.

Equipment revenues - Equipment revenue includes equipment sales processed by Cellco and specifically identified to the Partnership, as well as certain handset and accessory revenues, contra-revenues including equipment concessions, and coupon rebates that are processed by Cellco and allocated to the Partnership based on certain factors deemed appropriate by Cellco.

Other revenues - Other revenues include switch revenue and other fees and surcharges charged to the customer that are specifically identified to the Partnership.

Cost of service - Cost of service includes roaming costs relating to the Partnership's customers roaming in other affiliated markets. Cost of service also includes cost of telecom, long distance and application content that are incurred by Cellco and allocated to the Partnership based on certain factors deemed appropriate by Cellco. The Partnership has also entered into a lease agreement for the right to use additional spectrum owned by Cellco. See Note 2 for further information regarding this arrangement.

Cost of equipment - Cost of equipment is recorded at Cellco's cost basis (see Note 2). Cost of equipment also includes certain costs related to handsets, accessories and other costs incurred by Cellco and allocated to the Partnership based on certain factors deemed appropriate by Cellco.

Selling, general and administrative - Selling, general and administrative expenses include commissions, customer billing, office telecom, customer care, salaries, sales and marketing and advertising expenses that are specifically identified to the Partnership as well as incurred by Cellco and allocated to the Partnership based on certain factors deemed appropriate by Cellco.

Property, plant and equipment - Property, plant and equipment includes assets purchased by Cellco and directly charged to the Partnership as well as assets transferred between Cellco and the Partnership (see Note 2).

Wireless Licenses - Wireless licenses include right to use assets that were allocated by Cellco and recorded by the Partnership in exchange for a \$1,972,824 payment (see Note 4).

9. COMMITMENTS

Cellco, on behalf of the Partnership, and the Partnership itself have entered into operating leases for facilities, and equipment used in its operations. Lease contracts include renewal options that include rent expense adjustments based on the Consumer Price Index as well as annual and end-of-lease term adjustments. Rent expense is recorded on a straight-line basis. The noncancellable lease term used to calculate the amount of the straight-line rent expense is generally determined to be the initial lease term, including any optional renewal terms that are reasonably assured of occurring. Leasehold improvements related to these operating leases are amortized over the shorter of their estimated useful lives or the noncancellable lease term. For the years ended December 31, 2015, 2014 and 2013, the Partnership incurred a total of \$110,380, \$97,285 and \$87,643 respectively, as rent expense related to these operating leases, which was included in Cost of service and Selling, general and administrative expenses in the accompanying consolidated statements of income and comprehensive income. Aggregate future minimum rental commitments under noncancellable operating leases, excluding renewal options that are not reasonably assured of occurring and remaining tower maintenance fees of \$14,336 (see Note 6), for the years shown are as follows:

Years	Amount
2016	\$ 88,458
2017	77,134
2018	67,023
2019	55,649
2020	32,322
2021 and thereafter	119,049
Total minimum payments	<u>\$ 439,635</u>

The Partnership has also entered into certain agreements with Cellco, whereas the Partnership leases certain spectrum from Cellco that overlaps the Los Angeles metropolitan service area. Total rent expense under these spectrum leases amounted to \$124,722 in 2015, \$110,044 in 2014, and \$51,699 in 2013, respectively, which is included in Cost of service in the accompanying consolidated statements of income and comprehensive income.

Based on the terms of these leases as of December 31, 2015, future spectrum lease obligations are expected to be as follows:

Years	Amount
2016	\$ 125,037
2017	103,951
2018	93,249
2019	82,781
2020	72,312
2021 and thereafter	954,489
Total minimum payments	<u>\$ 1,431,819</u>

The General Partner currently expects that the renewal option in the leases will be exercised.

10. CONTINGENCIES

Cellco and the Partnership are subject to lawsuits and other claims including class actions, product liability, patent infringement, intellectual property, antitrust, partnership disputes, and claims involving relations with resellers and agents. Cellco is also currently defending lawsuits filed against it and other participants in the wireless industry alleging various adverse effects as a result of wireless phone usage. Various consumer class action lawsuits allege that Cellco violated certain state consumer protection laws and other statutes and defrauded customers through misleading billing practices or statements. These matters may involve indemnification obligations by third parties and/or affiliated parties covering all or part of any potential damage awards against Cellco and the Partnership and/or insurance coverage. All of the above matters are subject to many uncertainties, and the outcomes are not currently predictable.

The Partnership may be allocated a portion of the damages that may result upon adjudication of these matters if the claimants prevail in their actions. In none of the currently pending matters is the amount of accrual material to the Partnership. An estimate of the reasonably possible loss or range of loss with respect to these matters as of December 31, 2015 cannot be made at this time due to various factors typical in contested proceedings, including (1) uncertain damage theories and demands; (2) a less than complete factual record; (3) uncertainty concerning legal theories and their resolution by courts or regulators; and (4) the unpredictable nature of the opposing party and its demands. The Partnership continuously monitors these proceedings as they develop and will adjust any accrual or disclosure as needed. It is not expected that the ultimate resolution of any pending regulatory or legal matter in future periods will have a material effect on the financial condition of the Partnership, but it could have a material effect on the results of operations for a given reporting period.

11. RECONCILIATION OF ALLOWANCE FOR DOUBTFUL ACCOUNTS

	Balance at Beginning of the Year	Additions Charged to Operations	Write-offs Net of Recoveries	Balance at End of the Year
Accounts Receivable Allowances:				
2015	\$ 24,136	\$ 79,063	\$ (66,109)	\$ 37,090
2014	21,600	34,370	(31,834)	24,136
2013	14,205	44,339	(36,944)	21,600

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED STATES CELLULAR CORPORATION

By: /s/ Kenneth R. Meyers
Kenneth R. Meyers
President and Chief Executive Officer
(principal executive officer)

By: /s/ Steven T. Campbell
Steven T. Campbell
Executive Vice President-Finance,
Chief Financial Officer and Treasurer
(principal financial officer)

By: /s/ Douglas D. Shuma
Douglas D. Shuma
Chief Accounting Officer
(principal accounting officer)

By: /s/ Kristin A. MacCarthy
Kristin A. MacCarthy
Vice President and Controller

Dated: February 24, 2016

Power of Attorney

Each person whose signature appears below constitutes and appoints LeRoy T. Carlson, Jr. as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution for him or her and in his or her name, place, and stead, in any and all capacities to sign any and all amendments to this Annual Report on Form 10-K under the Securities Exchange Act of 1934, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do so and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all the said attorney-in fact and agent or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ LeRoy T. Carlson, Jr.</u> LeRoy T. Carlson, Jr.	Director	February 24, 2016
<u>/s/ Kenneth R. Meyers</u> Kenneth R. Meyers	Director	February 24, 2016
<u>/s/ James Barr III</u> James Barr III	Director	February 24, 2016
<u>/s/ Steven T. Campbell</u> Steven T. Campbell	Director	February 24, 2016
<u>/s/ Walter C.D. Carlson</u> Walter C.D. Carlson	Director	February 24, 2016
<u>/s/ J. Samuel Crowley</u> J. Samuel Crowley	Director	February 24, 2016
<u>/s/ Ronald E. Daly</u> Ronald E. Daly	Director	February 24, 2016
<u>/s/ Paul-Henri Denuit</u> Paul-Henri Denuit	Director	February 24, 2016
<u>/s/ Harry J. Harczak, Jr.</u> Harry J. Harczak, Jr.	Director	February 24, 2016
<u>/s/ Gregory P. Josefowicz</u> Gregory P. Josefowicz	Director	February 24, 2016
<u>/s/ Peter L. Sereda</u> Peter L. Sereda	Director	February 24, 2016
<u>/s/ Douglas D. Shuma</u> Douglas D. Shuma	Director	February 24, 2016
<u>/s/ Cecelia D. Stewart</u> Cecelia D. Stewart	Director	February 24, 2016
<u>/s/ Kurt B. Thaus</u> Kurt B. Thaus	Director	February 24, 2016

Index to Exhibits

<u>Exhibit Number</u>	<u>Description of Documents</u>
3.1	Restated Certificate of Incorporation, is hereby incorporated by reference to Exhibit 3.1 to U.S. Cellular's Current Report on Form 8-K dated November 10, 2014.
3.2	Restated Bylaws are hereby incorporated by reference to Exhibit 3.1 to U.S. Cellular's Current Report on Form 8-K dated August 19, 2014.
4.1	Restated Certificate of Incorporation incorporated herein as Exhibit 3.1.
4.2	Restated Bylaws are incorporated herein as Exhibit 3.2.
4.3(a)	Revolving Credit Agreement dated December 17, 2010 among U.S. Cellular and the lenders named therein, Toronto Dominion (New York) LLC as Administrative Agent and Swing Line Lender, The Toronto Dominion Bank, New York Branch as Letter of Credit Issuer, TD Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Co-Lead Arrangers and Joint Book Managers, Wells Fargo Bank, N.A. as Syndication Agent, and Bank of America, N.A., SunTrust Bank and CoBank ACB as Co-Documentation Agents, is hereby incorporated by reference to Exhibit 4.1 to U.S. Cellular's Current Report on Form 8-K dated December 17, 2010.
4.3(b)	Third Amendment dated July 24, 2014 to Revolving Credit Agreement dated December 17, 2010, is hereby incorporated by reference to Exhibit 4.1 to U.S. Cellular's Current Report on Form 8-K dated July 24, 2014.
4.4(a)	Indenture for Senior Debt Securities dated June 1, 2002 between U.S. Cellular and The Bank of New York Mellon Trust Company, N.A., formerly known as BNY Midwest Trust Company of New York ("BNY") is hereby incorporated by reference to Exhibit 4.1 to Form S-3 dated May 31, 2013 (File No. 333-188971).
4.4(b)	Form of Third Supplemental Indenture dated December 3, 2003 between U.S. Cellular and BNY Midwest Trust Company, relating to \$444,000,000 of U.S. Cellular's 6.7% Senior Notes due 2033, is hereby incorporated by reference to Exhibit 4.1 to U.S. Cellular's Current Report on Form 8-K dated December 3, 2003.
4.4(c)	Form of Fifth Supplemental Indenture dated June 21, 2004 between U.S. Cellular and BNY Midwest Trust Company, relating to \$100,000,000 of U.S. Cellular's 6.7% Senior Notes due 2033, is hereby incorporated by reference to Exhibit 4.1 to U.S. Cellular's Current Report on Form 8-K dated June 21, 2004.
4.4(d)	Form of Sixth Supplemental Indenture dated as of May 9, 2011 between U.S. Cellular and BNY Midwest Trust Company, related to \$342,000,000 of U.S. Cellular's 6.95% Senior Notes due 2060, is hereby incorporated by reference to Exhibit 4.1 to U.S. Cellular's Current Report on Form 8-K dated May 9, 2011.
4.4(e)	Form of Seventh Supplemental Indenture dated as of December 8, 2014 between U.S. Cellular and BNY Midwest Trust Company, related to \$275,000,000 of U.S. Cellular's 7.25% Senior Notes due 2063, is hereby incorporated by reference to Exhibit 2 to U.S. Cellular's Registration Statement on Form 8-A dated December 2, 2014.
4.4(f)	Form of Eighth Supplemental Indenture dated as of November 23, 2015 between U.S. Cellular and BNY Midwest Trust Company, related to \$300,000,000 of U.S. Cellular's 7.25% Senior Notes due 2064, is hereby incorporated by reference to Exhibit 2 to U.S. Cellular's Registration Statement on Form 8-A dated November 17, 2015.
4.5	Indenture for Subordinated Debt Securities between U.S. Cellular and BNY is hereby incorporated by reference to Exhibit 4.1 to U.S. Cellular's Current Report on Form 8-K dated September 16, 2013.

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- 4.6 Term Loan Credit Agreement dated as of January 21, 2015 is hereby incorporated by reference to Exhibit 4.1 to U.S. Cellular's Current Report on Form 8-K dated January 21, 2015.
- 9.1 Amendment and Restatement (dated April 22, 2005) of Voting Trust Agreement dated June 30, 1989 is hereby incorporated by reference to the Exhibit filed on Amendment No. 3 to the Schedule 13D dated May 2, 2005 filed by the trustees of such voting trust with respect to TDS Common Shares.
- 10.1 Tax Allocation Agreement between U.S. Cellular and TDS is hereby incorporated by reference to an exhibit to U.S. Cellular's Registration Statement on Form S-1 (Registration No. 33-16975).
- 10.2 Cash Management Agreement between U.S. Cellular and TDS is hereby incorporated by reference to an exhibit to U.S. Cellular's Registration Statement on Form S-1 (Registration No. 33-16975).
- 10.3 Registration Rights Agreement between U.S. Cellular and TDS is hereby incorporated by reference to an exhibit to U.S. Cellular's Registration Statement on Form S-1 (Registration No. 33-16975).
- 10.4 Exchange Agreement between U.S. Cellular and TDS, as amended, is hereby incorporated by reference to an exhibit to U.S. Cellular's Registration Statement on Form S-1 (Registration No. 33-16975).
- 10.5 Intercompany Agreement between U.S. Cellular and TDS is hereby incorporated by reference to an exhibit to U.S. Cellular's Registration Statement on Form S-1 (Registration No. 33-16975).
- 10.6 Employee Benefit Plans Agreement between U.S. Cellular and TDS is hereby incorporated by reference to an exhibit to U.S. Cellular's Registration Statement on Form S-1 (Registration No. 33-16975).
- 10.7 Insurance Cost Sharing Agreement between U.S. Cellular and TDS is hereby incorporated by reference to an exhibit to U.S. Cellular's Registration Statement on Form S-1 (Registration No. 33-16975).
- 10.8(a)* TDS Supplemental Executive Retirement Plan, as amended and restated, effective January 1, 2009 is hereby incorporated by reference to Exhibit 10.1 to TDS' Current Report on Form 8-K dated August 27, 2008.
- 10.8(b)* Amendment Number One to the TDS Supplemental Executive Retirement Plan, is hereby incorporated by reference to Exhibit 10.2 to TDS' Current Report on Form 8-K dated March 15, 2012.
- 10.8(c)* Amendment Number Two to the TDS Supplemental Executive Retirement Plan, is hereby incorporated by reference to Exhibit 10.3 to TDS' Current Report on Form 8-K dated November 3, 2014.
- 10.9* U.S. Cellular Restated Compensation Plan for Non-Employee Directors is hereby incorporated by reference to Exhibit B to the U.S. Cellular's Notice of Annual Meeting of Shareholders and Proxy Statement dated April 15, 2013.
- 10.10* U.S. Cellular 2005 Long-Term Incentive Plan is hereby incorporated by reference to Exhibit C to the U.S. Cellular Notice of Annual Meeting of Shareholders and Proxy Statement dated April 15, 2009.
- 10.11* U.S. Cellular 2013 Long-Term Incentive Plan is hereby incorporated by reference to Exhibit A to the U.S. Cellular Notice of Annual Meeting of Shareholders and Proxy Statement dated April 15, 2013.
- 10.12* U.S. Cellular Form of Long-Term Incentive Plan Executive Deferred Compensation Agreement —Phantom Stock Account for officers is hereby incorporated by reference to Exhibit 10.5 to U.S. Cellular's Current Report on Form 8-K dated May 14, 2013.
- 10.13(a)* U.S. Cellular Executive Deferred Compensation Interest Account Plan is hereby incorporated by reference to Exhibit 10.1 to U.S. Cellular's Current Report on Form 8-K dated December 10, 2007.
- 10.13(b)* First Amendment to U.S. Cellular Executive Deferred Compensation Interest Account Plan is hereby incorporated by reference to Exhibit 10.6 to U.S. Cellular's Current Report on Form 8-K dated December 9, 2008.
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- 10.13(c)* Second Amendment to U.S. Cellular Executive Deferred Compensation Interest Account Plan is hereby incorporated by reference to Exhibit 10.12(c) to U.S. Cellular's Annual Report on Form 10-K for the year ended December 31, 2012.
- 10.13(d)* Election Form for U.S. Cellular Executive Deferred Compensation Interest Account Plan is hereby incorporated by reference to Exhibit 10.12(d) to U.S. Cellular's Annual Report on Form 10-K for the year ended December 31, 2012.
- 10.14* U.S. Cellular Form of Long-Term Incentive Plan Restricted Stock Unit Award Agreement for the President and CEO, is hereby incorporated by reference to Exhibit 10.4 to U.S. Cellular's Current Report on Form 8-K dated February 26, 2015.
- 10.15* U.S. Cellular Form of Long-Term Incentive Plan Stock Option Award Agreement for the President and CEO, is hereby incorporated by reference to Exhibit 10.3 to U.S. Cellular's Current Report on Form 8-K dated February 26, 2015.
- 10.16* Letter Agreement dated October 28, 2013 between U.S. Cellular and Jay Ellison, is hereby incorporated by reference to Exhibit 10.13 to U.S. Cellular's Annual Report on Form 10-K for the year ended December 31, 2013.
- 10.17* U.S. Cellular Form of Long-Term Incentive Plan Stock Option Award Agreement for Officers other than the President and CEO, is hereby incorporated by reference to Exhibit 10.1 to U.S. Cellular's Current Report on Form 8-K dated February 26, 2015.
- 10.18* U.S. Cellular Form of Long-Term Incentive Plan Restricted Stock Unit Award Agreement for Officers other than the President and CEO, is hereby incorporated by reference to Exhibit 10.2 to U.S. Cellular's Current Report on Form 8-K dated February 26, 2015.
- 10.19* Letter Agreement between U.S. Cellular and Steven T. Campbell dated June 1, 2005 is hereby incorporated by reference to Exhibit 99.2 to U.S. Cellular's Current Report on Form 8-K dated June 1, 2005.
- 10.20* Form of Retention Bonus Letter to "named executive officers" other than the President and CEO is hereby incorporated by reference to Exhibit 10.1 to U.S. Cellular's Current Report on Form 8-K dated April 12, 2011.
- 10.21* U.S. Cellular 2015 Officer Annual Incentive Plan effective January 1, 2015 is hereby incorporated by reference to Exhibit 10.1 to U.S. Cellular's Current Report on Form 8-K dated April 17, 2015.
- 10.22* Guidelines for the Determination of Annual Bonus for President and Chief Executive Officer of U.S. Cellular, are hereby incorporated by reference to Exhibit 10.2 to U.S. Cellular's Current Report on Form 8-K dated August 19, 2014.
- 10.23* Letter Agreement dated July 25, 2013 between U.S. Cellular and Kenneth R. Meyers is hereby incorporated by reference to Exhibit 10.1 to U.S. Cellular's Current Report on Form 8-K dated July 25, 2013.
- 10.24** Master Service Agreement entered into by United States Cellular Corporation and Amdocs Software Systems Limited on August 17, 2010 to develop a Billing and Operational Support System ("B/OSS") with a new point-of-sale system to consolidate billing on one platform, is hereby incorporated by reference to Exhibit 10.8 to U.S. Cellular's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010.
- 10.25** Software License and Maintenance Agreement entered into by United States Cellular Corporation and Amdocs Software Systems Limited on August 17, 2010 to develop a Billing and Operational Support System ("B/OSS") with a new point-of-sale system to consolidate billing on one platform, is hereby incorporated by reference to Exhibit 10.9 to U.S. Cellular's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010.
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10.26**	Master Statement of Work, dated as of November 25, 2014, between U.S. Cellular and Amdocs Software Systems, Ltd., is hereby incorporated by reference from Exhibit 10.26 to U.S. Cellular's Annual Report on Form 10-K for the year ended December 31, 2014.
10.27*	Letter Agreement dated March 14, 2014 between U.S. Cellular and Deirdre Drake, is hereby incorporated by reference from Exhibit 10.27 to U.S. Cellular's Annual Report on Form 10-K for the year ended December 31, 2014.
11	Statement regarding computation of earnings per share (included in Note 5 — Earnings Per Share in the Notes to Consolidated Financial Statements in Exhibit 13).
12	Statement regarding computation of ratio of earnings to fixed charges for the years ended December 31, 2015, 2014, 2013, 2012, and 2011.
13	Incorporated portions of 2015 Annual Report to Shareholders.
21	Subsidiaries of U.S. Cellular.
23.1	Consent of Independent Registered Public Accounting Firm—PricewaterhouseCoopers LLP.
23.2	Consent of Independent Registered Public Accounting Firm—Ernst & Young LLP.
23.3	Consent of Independent Registered Public Accounting Firm—Deloitte & Touche LLP.
31.1	Principal executive officer certification pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.
31.2	Principal financial officer certification pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.
32.1	Principal executive officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Principal financial officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Indicates a management contract or compensatory plan or arrangement.

** Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission as part of an application for confidential treatment pursuant to the Securities Exchange Act of 1934, as amended. The application for confidential treatment has been granted.

UNITED STATES CELLULAR CORPORATION
RATIO OF EARNINGS TO FIXED CHARGES
For the Year Ended December 31,

	2015	2014	2013	2012	2011
(Dollars in thousands)					
EARNINGS:					
Income (loss) before income taxes ¹	\$ 403,629	\$ (58,704)	\$ 257,656	\$ 205,053	\$ 312,822
Add (deduct):					
Equity in earnings of unconsolidated entities	(140,083)	(129,764)	(131,949)	(90,364)	(83,566)
Distributions from unconsolidated entities	60,041	112,336	125,660	84,417	91,768
Amortization of capitalized interest	6,049	6,116	3,704	855	613
Income attributable to noncontrolling interests in subsidiaries that do not have fixed charges	(6,180)	(1,763)	(6,575)	(30,122)	(24,247)
	<u>323,456</u>	<u>(71,779)</u>	<u>248,496</u>	<u>169,839</u>	<u>297,390</u>
Add fixed charges:					
Consolidated interest expense ²	86,194	57,386	43,963	42,393	65,614
Interest portion (1/3) of consolidated rent expense	50,994	50,791	54,019	61,305	57,187
	<u>\$ 460,644</u>	<u>\$ 36,398</u>	<u>\$ 346,478</u>	<u>\$ 273,537</u>	<u>\$ 420,191</u>
FIXED CHARGES:					
Consolidated interest expense ²	\$ 86,194	\$ 57,386	\$ 43,963	\$ 42,393	\$ 65,614
Capitalized interest	3,333	6,236	18,382	17,930	10,064
Interest portion (1/3) of consolidated rent expense	50,994	50,791	54,019	61,305	57,187
	<u>\$ 140,521</u>	<u>\$ 114,413</u>	<u>\$ 116,364</u>	<u>\$ 121,628</u>	<u>\$ 132,865</u>
RATIO OF EARNINGS TO FIXED CHARGES	<u>3.28</u>	<u>*</u>	<u>2.98</u>	<u>2.25</u>	<u>3.16</u>

¹ Includes gain on sale of business and other exit costs, net of \$113.6 million, \$32.8 million and \$246.8 million in 2015, 2014 and 2013, respectively, and loss on sale of business and other exit costs, net of \$21.0 million in 2012.

Includes gain on license sales and exchanges of \$146.9 million, \$113.0 million, \$255.5 million and \$11.8 million in 2015, 2014, 2013 and 2011, respectively.

Includes gain on investments of \$18.6 million in 2013, loss on investments of \$3.7 million in 2012 and gain on investments of \$11.4 million in 2011.

² Interest expense on income tax contingencies is not included in fixed charges.

* Earnings in 2014 were inadequate to cover Fixed charges by \$78.0 million.

United States Cellular Corporation and Subsidiaries

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United States Cellular Corporation Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

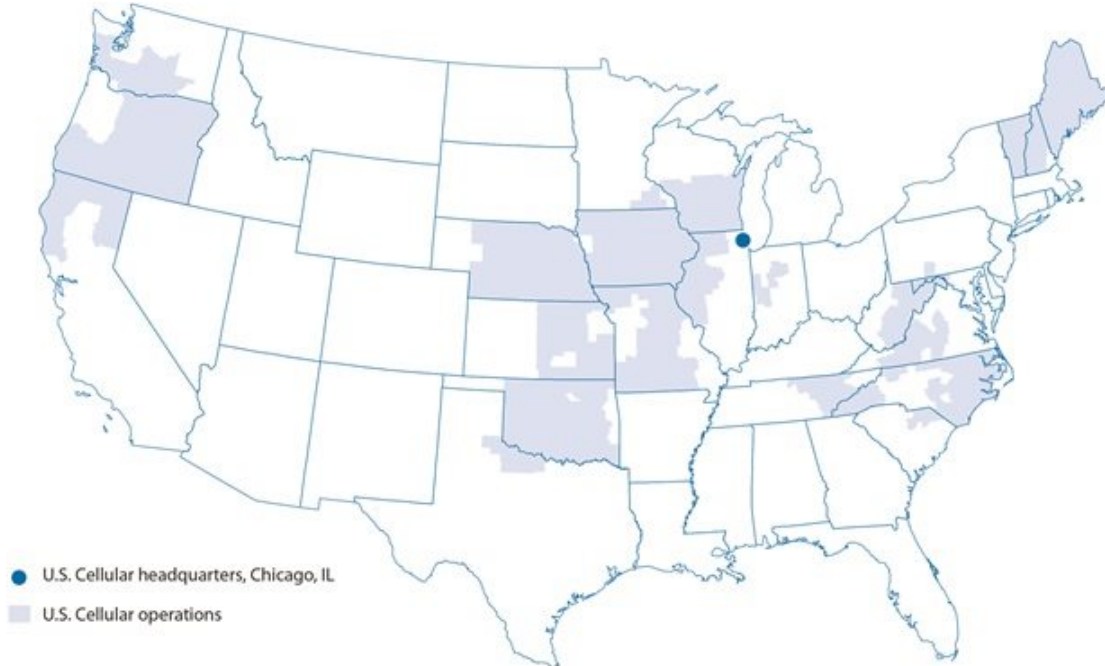
Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Financial Statements and Notes to Consolidated Financial Statements for the year ended December 31, 2015. This report contains statements that are not based on historical facts, including the words "believes," "anticipates," "intends," "expects" and similar words. These statements constitute and represent "forward looking statements" as this term is defined in the Private Securities Litigation Reform Act of 1995. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward looking statements.

U.S. Cellular uses certain "non-GAAP financial measures" throughout the MD&A. A discussion of the reason U.S. Cellular uses these measures and a reconciliation of these measures to their most directly comparable measures determined in accordance with accounting principles generally accepted in the United States of America ("GAAP") are included in the Supplemental Information section within the MD&A of this Form 10-K Report.

General

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"). U.S. Cellular's strategy is to attract and retain wireless customers through a value proposition comprised of a high-quality network, outstanding customer service, and competitive devices, plans, and pricing, all provided with a local focus.

OPERATIONS



- Serves approximately 4.9 million customers including 4.4 million postpaid and 0.4 million prepaid customers.
- Operates in 23 states.
- Employs approximately 6,400 employees.
- Headquartered in Chicago, Illinois.
- 6,297 cell sites including 3,978 owned towers in service.

Significant Financial and Operating Matters

The following is a summary of certain selected information contained in the comprehensive MD&A that follows. The overview does not contain all of the information that may be important. You should carefully read the entire MD&A and not rely solely on the highlights.

- Net income attributable to U.S. Cellular shareholders was \$ 241.3 million in 2015 , compared to a net loss of \$ 42.8 million in 2014 . The year-over-year improvement was attributable to several factors including (i) increased equipment revenues bolstered by equipment installment plan activity ; (ii) reduced cost of equipment sold due to fewer equipment sales transactions overall and lower cost per unit sold; (iii) reduced selling, general and administrative expenses ; and (iv) increased gains from sales and exchanges of businesses and licenses. Diluted earnings per share was \$ 2.84 compared to a diluted loss per share of \$ 0.51 one year ago.
- In March 2015, U.S. Cellular announced that it would discontinue its loyalty reward program effective September 1, 2015. All unredeemed reward points expired at that time and the deferred revenue balance related to such expired points was recognized as service revenues. The amount of deferred revenue recognized upon discontinuation of this program was \$58.2 million.
- U.S. Cellular, through its limited partnership interest in Advantage Spectrum L.P. ("Advantage Spectrum"), was the provisional winning bidder for 124 licenses for an aggregate winning bid of \$338.3 million in Auction 97. See Note 6 — Acquisitions, Divestitures and Exchanges and Note 13 — Variable Interest Entities in the Notes to Consolidated Financial Statements for additional information related to these transactions.
- U.S. Cellular completed license exchanges and the sale of towers outside of its operating markets. See Note 6 — Acquisitions, Divestitures and Exchanges for additional information related to these transactions.
- Total additions to Property, plant and equipment were \$ 533.1 million, including expenditures to complete the network rollout of 4G LTE , construct cell sites, increase capacity in existing cell sites and switches, outfit new and remodel existing retail stores and enhance billing and other customer management related systems and platforms.

Significant Trends and Developments

Technology and Support Systems:

- U.S. Cellular continued to deploy 4G LTE as a result of U.S. Cellular's strategic initiative to enhance its network . 4G LTE now reaches 99 % of postpaid customers and 98 % of cell sites. The adoption of data-rich smartphones and connected devices is driving significant growth in data traffic. At the end of the year, 72% of postpaid customers had 4G capable devices, with the LTE network handling 81% of data traffic. Also, U.S. Cellular began user trials related to VoLTE technology to allow customers to utilize the LTE network for both voice and data services , and these trials are anticipated to continue into 2016.
- In 2015, U.S. Cellular spent \$285.8 million in cash for license acquisitions, the majority of which came from U.S. Cellular's participation in Auction 97 indirectly through its limited partnership interest in Advantage Spectrum. Advantage Spectrum was the provisional winning bidder of 124 AWS licenses for an aggregate bid of \$338.3 million, after its expected designated entity discount of 25%. Advantage Spectrum's bid amount, less the initial deposit amount of \$60.0 million paid in 2014, was paid to the FCC in March 2015 . These licenses have not yet been granted by the FCC. U.S. Cellular's strategy is to continue to obtain interests in and access to wireless licenses in current operating markets. This strategy will help ensure adequate spectrum to deliver a best-in-class network that meets the growing capacity and speed requirements of U.S. Cellular customers.

Asset Management:

- U.S. Cellular continued to pursue opportunities to monetize non-strategic assets to support investment in the business . In December 2014, U.S. Cellular entered into an agreement with a third party to sell 595 towers and certain related contracts, assets, and liabilities for \$159.0 million in cash . The gain recognized was \$3.8 million and \$108.2 million in 2014 and 2015, respectively. This agreement and related transactions are referred to as the "Tower Sale ."
- Additionally, U.S. Cellular entered into various agreements to transfer certain non-operating licenses to third parties in exchange for receiving licenses in operating markets and cash. In connection with these various agreements , U.S. Cellular received cash totaling \$145.0 million and recognized an aggregate pre-tax gain of \$149.1 million in 2015.
- In January 2016, U.S. Cellular entered into an agreement to purchase a 700 MHz A Block license for \$36.0 million. The transaction is expected to close in the third quarter of 2016 pending regulatory approval. In February 2016, U.S. Cellular entered into multiple agreements with third parties that provide for the transfer of certain AWS and PCS spectrum licenses and approximately \$ 30 million in cash to U.S. Cellular, in exchange for U.S. Cellular transferring certain AWS, PCS and 700 MHz licenses to the third parties. The transactions are subject to regulatory approval and other customary closing conditions , and are expected to close in 2016 . Upon closing of the transactions, U.S. Cellular expects to recognize a gain.

Products and Services:

- U.S. Cellular continued to leverage competitive value-based pricing for its plans and services, including equipment installment plan offerings. U.S. Cellular will continue to offer equipment installment plans in 2016. To the extent that customers adopt these plans, U.S. Cellular expects an increase in equipment sales revenues. However, certain of the equipment installment plans provide the customer with a reduction in the monthly access charge for the device; thus, to the extent that existing customers adopt such plans, U.S. Cellular expects a reduction in retail service revenues and ARPU.
- U.S. Cellular launched iconic Samsung and Apple devices and expanded the portfolio of tablets and connected devices in line with the strategic initiative to increase gross additions, reduce churn, and increase data usage.
- U.S. Cellular continued to expand distribution through third-party national and on-line retailers. As a growing base of customers purchase wireless service outside of corporate and agent owned locations, U.S. Cellular will continue to explore new relationships with additional third-party retailers as part of the strategy to expand distribution.
- U.S. Cellular also expanded its solutions available to business and government customers, including a growing suite of machine-to-machine solutions across various categories. U.S. Cellular will continue to enhance its advanced wireless services and connected solutions for consumer, business and government customers.

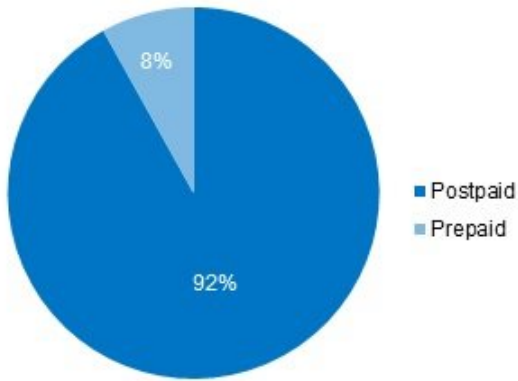
Terms Used by U.S. Cellular

All defined terms in this MD&A are used as defined in the Notes to Consolidated Financial Statements, and additional terms are defined below:

- **4G LTE** – fourth generation Long-Term Evolution which is a wireless broadband technology.
- **Auction 97** – An FCC auction of AWS-3 spectrum licenses that ended in January 2015.
- **Average Billings per Account (“ABPA”)** – metric is calculated by dividing total postpaid service revenues plus equipment installment plan billings by the average number of postpaid accounts by the number of months in the period.
- **Average Billings per User (“ABPU”)** – metric is calculated by dividing total postpaid service revenues plus equipment installment plan billings by the average number of postpaid customers by the number of months in the period.
- **Average Revenue per Account (“ARPA”)** – metric is calculated by dividing total postpaid service revenues by the average number of postpaid accounts by the number of months in the period.
- **Average Revenue per User (“ARPU”)** – metric is calculated by dividing a revenue base by an average number of customers by the number of months in the period. These revenue bases and customer populations are shown below:
 - **Postpaid ARPU** – consists of total postpaid service revenues and postpaid customers.
 - **Service Revenue ARPU** – consists of total postpaid, prepaid and reseller service revenues, inbound roaming and other service revenues and postpaid, prepaid and reseller customers.
- **Churn Rate** – represents the percentage of the customers that disconnect service each month. These rates represent the average monthly churn rate for each respective period.
- **FCC** – Federal Communications Commission
- **Gross Additions** – represents the total number of new customers added during the period, without regard to customers who terminate service.
- **Net Additions (Losses)** – represents the total number of new customers added during the period, net of customers who terminate service during that period.
- **Smartphone Penetration** – is calculated by dividing postpaid smartphone customers by total postpaid customers.
- **VoLTE** – Voice over Long-Term Evolution which is a technology specification that defines the standards and procedures for delivering voice communication and data over 4G LTE networks.

Operational Overview

Retail Customer Composition



Postpaid Customer Results

	2013	2014	2015
Gross Additions	697,000	940,000	831,000
Net Additions (Losses)	(325,000)	31,000	111,000
Churn	1.8%	1.8%	1.4%
Postpaid customers – end of period	4,267,000	4,298,000	4,409,000

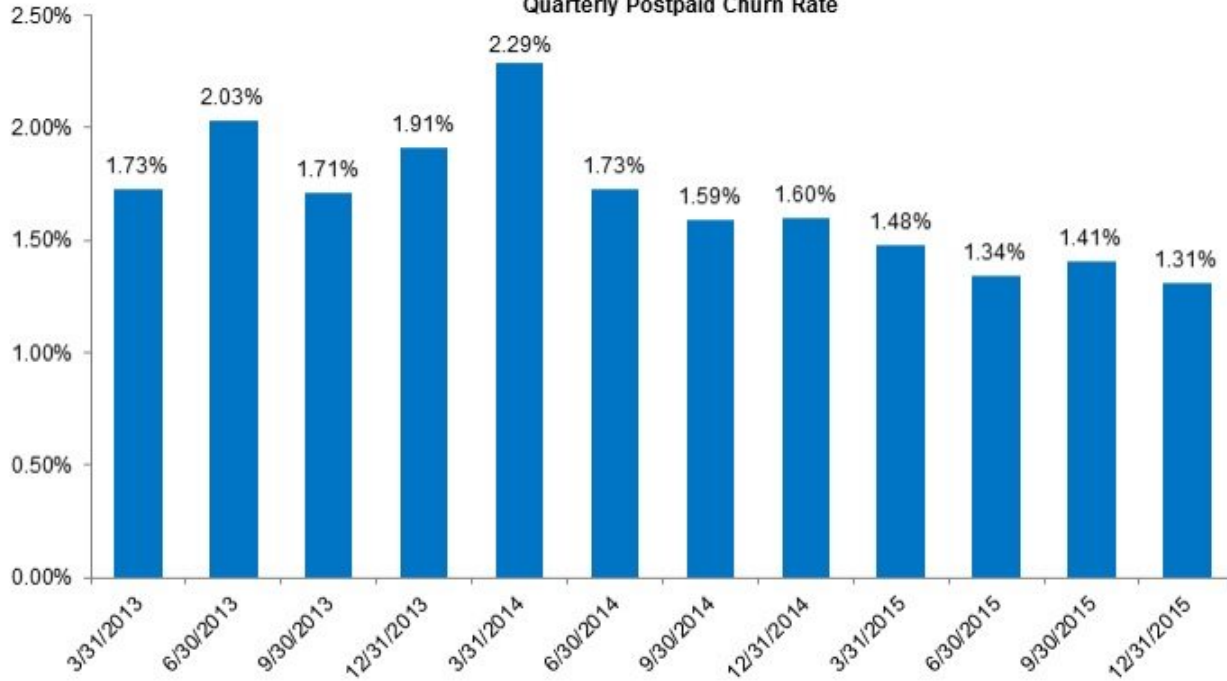
2015 - 2014 Commentary

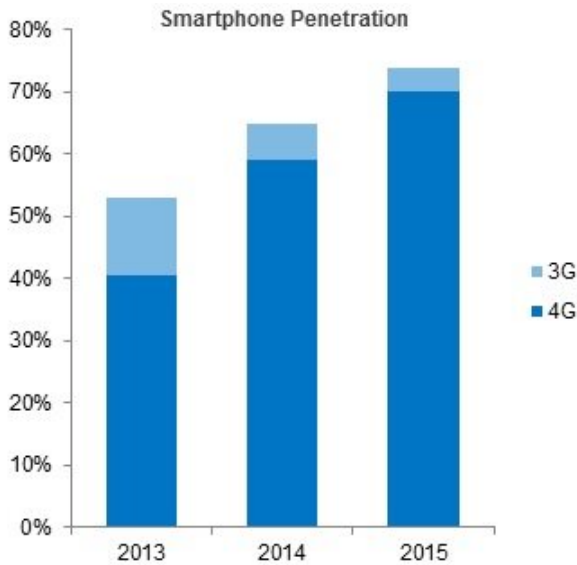
Postpaid customers comprised approximately 92% of U.S. Cellular’s retail customers at December 31, 2015. U.S. Cellular believes the increase in net additions in 2015 is a result of competitive products and services priced to offer the best value to customers, improved speed to market for product offerings, and expanded equipment installment plan offerings. U.S. Cellular also believes postpaid churn continued to decline from 2014 levels due to an improved customer experience and strong retention programs. Total retail customers at the period ended December 31, 2015, 2014 and 2013 were 4,796,000, 4,646,000 and 4,610,000, respectively.

2014 - 2013 Commentary

Postpaid customers comprised approximately 93% of U.S. Cellular’s retail customers at December 31, 2014. Postpaid churn in 2013 and the first half of 2014 was adversely affected by the billing system conversion in 2013; however it improved over the course of 2014.

Quarterly Postpaid Churn Rate





2015 - 2014 Commentary

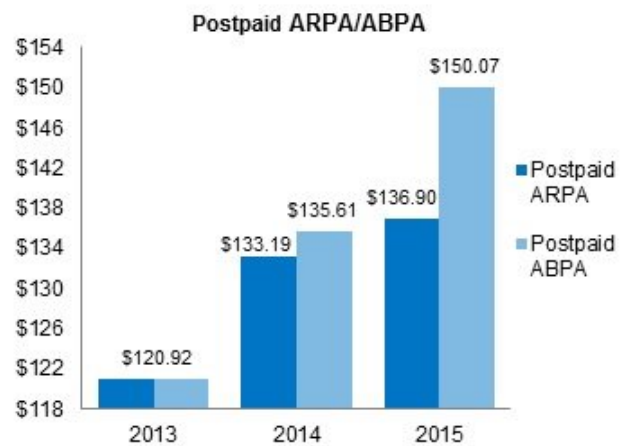
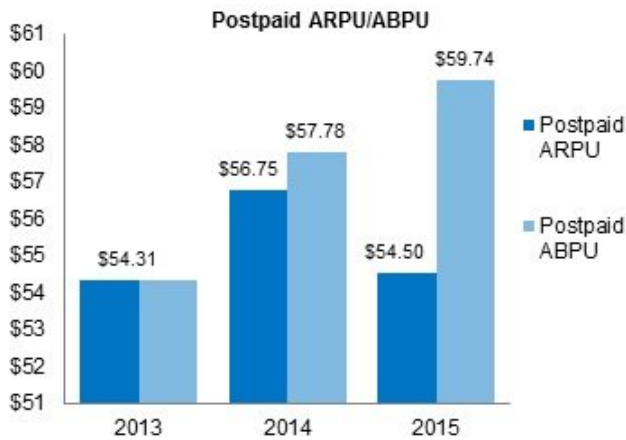
Smartphone penetration increased to 74% of the post paid handset customer base, up from 65% a year ago.

The percentage of postpaid handset customers with feature phones has continued to decrease from 35% in 2014 to 26% in 2015 and is expected to continue declining as handset gross additions consist primarily of smartphones. During the fourth quarter of 2015, smartphones represented 91% of total handset sales.

Continued growth in revenues and costs related to data products and services may result in increased operating expenses and the need for additional investment in spectrum, network capacity and network enhancements.

2014 - 2013 Commentary

Smartphone penetration increased to 65% of the postpaid handset customer base, up from 53% a year ago. This contributed to increased service revenues from data.



2015 - 2014 Commentary

Postpaid ARPU decreased in 2015 due to industry-wide price competition, including discounts on shared data plans provided to customers on equipment installment plans and those providing their own device at the time of activation or renewal partially offset by the continued adoption of smartphones and shared data plans. The increase in postpaid ARPA is the result of increased postpaid connections per account driven by increased connected device penetration.

U.S. Cellular implemented equipment installment plans on a broad basis in 2014. These plans increase equipment sales revenue as customers pay for their wireless devices in installments at a total device price that is generally higher than the device price offered to customers in conjunction with alternative plans that are subject to a service contract. Equipment installment plans also have the impact of reducing service revenues as many equipment installment plans provide for reduced monthly access charges. In order to reflect the ARPU and ARPA trend for the impact of equipment installment plans in 2014 and 2015, U.S. Cellular has also presented ARPU and ARPA plus average monthly equipment installment plan billings per customer (ABPU) and account (ABPA), respectively. U.S. Cellular believes presentation of these measures is useful in order to reflect the trends in total revenues per customer and account.

2014 - 2013 Commentary

The increases are a result of increased smartphone penetration, increased adoption of shared data plans, and the special issuance of loyalty rewards points which negatively impacted these metrics in 2013, partially offset by discounts on shared data plans provided to customers on equipment installment plans and those providing their own device at the time of activation or renewal.

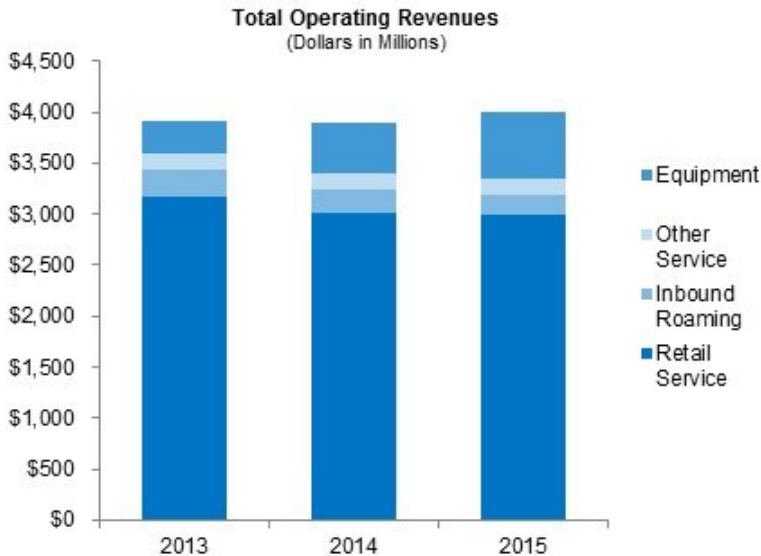
Financial Overview

The Divestiture Transaction and the NY1 & NY2 Deconsolidation were consummated in the second quarter of 2013 as further described in Note 6 — Acquisitions, Divestitures and Exchanges and Note 8 — Investments in Unconsolidated Entities in the Notes to Consolidated Financial Statements. The information presented below includes the Divestiture Markets and the NY1 & NY2 Partnerships for the portion of 2013 prior to the respective transactions.

Components of Operating Income (Loss)

Year Ended December 31,	2015	2014	2013	2015 vs. 2014		2014 vs. 2013	
(Dollars in thousands)							
Retail service	\$ 2,994,353	\$ 3,012,984	\$ 3,165,496	\$ (18,631)	(1)%	\$ (152,512)	(5)%
Inbound roaming	191,801	224,090	263,186	(32,289)	(14)%	(39,096)	(15)%
Other	164,277	160,863	166,091	3,414	2%	(5,228)	(3)%
Service revenues	3,350,431	3,397,937	3,594,773	(47,506)	(1)%	(196,836)	(5)%
Equipment sales	646,422	494,810	324,063	151,612	31%	170,747	53%
Total operating revenues	3,996,853	3,892,747	3,918,836	104,106	3%	(26,089)	(1)%
System operations (excluding Depreciation, amortization and accretion reported below)	775,042	769,911	763,435	5,131	1%	6,476	1%
Cost of equipment sold	1,052,810	1,192,669	999,000	(139,859)	(12)%	193,669	19%
Selling, general and administrative	1,493,730	1,591,914	1,677,395	(98,184)	(6)%	(85,481)	(5)%
	3,321,582	3,554,494	3,439,830	(232,912)	(7)%	114,664	3%
Operating cash flow*	675,271	338,253	479,006	337,018	100%	(140,753)	(29)%
Depreciation, amortization and accretion	606,455	605,997	803,781	458	-	(197,784)	(25)%
(Gain) loss on asset disposals, net	16,313	21,469	30,606	(5,156)	(24)%	(9,137)	(30)%
(Gain) loss on sale of business and other exit costs, net	(113,555)	(32,830)	(246,767)	(80,725)	>(100)%	213,937	87%
(Gain) loss on license sales and exchanges	(146,884)	(112,993)	(255,479)	(33,891)	(30)%	142,486	56%
Total operating expenses	3,683,911	4,036,137	3,771,971	(352,226)	(9)%	264,166	7%
Operating income (loss)	\$ 312,942	\$ (143,390)	\$ 146,865	\$ 456,332	>100%	\$ (290,255)	>(100)%
Adjusted EBITDA*	\$ 852,152	\$ 480,325	\$ 615,204	\$ 371,827	77%	\$ (134,879)	(22)%
Capital expenditures	\$ 533,053	\$ 557,615	\$ 737,501	\$ (24,562)	(4)%	\$ (179,886)	(24)%

* Represents a non-GAAP financial measure. Refer to Supplemental Information within this MD&A for a reconciliation of this measure.



Service revenues consist of:

- Charges for access, airtime, roaming, recovery of regulatory costs and value added services, including data products and services (“retail service”)
- Charges to other wireless carriers whose customers use U.S. Cellular’s wireless systems when roaming
- Amounts received from the Federal USF
- Tower rental revenues

Equipment revenues consist of:

- Sales of wireless devices and related accessories to new and existing customers, agents, and third-party distributors

Key components of changes in the statement of operations line items were as follows:

2015-2014 Commentary

Total operating revenues

Service revenues decreased as a result of (i) a decrease in retail service revenues driven by industry-wide price competition, including discounts on shared data plans provided to customers on equipment installment plans and those providing their own device at the time of activation or renewal; and (ii) reductions in inbound roaming revenue driven by lower roaming rates. Such reductions were partially offset by an increase in the average customer base, continued adoption of shared data plans, and the \$58.2 million of revenue recognized in 2015 from unredeemed rewards points upon termination of U.S. Cellular’s rewards program.

Revenue representing amounts received from the Federal USF for the year ended December 31, 2015 was \$92.1 million, which remained flat year over year. Pursuant to the FCC’s Reform Order (“Reform Order”), U.S. Cellular’s current Federal USF support is being phased down at the rate of 20% per year beginning July 1, 2012. The Phase II Mobility Fund was not operational as of July 2014 and, therefore, as provided by the Reform Order, the phase down was suspended at 60% of the baseline amount. U.S. Cellular will continue to receive USF support at the 60% level until the FCC takes further action. At this time, U.S. Cellular cannot predict what changes that the FCC might make to the USF high cost support program and, accordingly, cannot predict whether such changes will have a material adverse effect on U.S. Cellular’s business, financial condition or results of operations.

Equipment sales revenues increased due primarily to an increase in average revenue per device sold driven by sales under equipment installment plans, a mix shift to smartphones and connected devices and an increase in accessory sales, partially offset by a decrease in the number of devices sold. Equipment installment plan sales contributed \$350.7 million and \$190.4 million in 2015 and 2014, respectively.

System operations expenses

Maintenance, utility and cell site expenses increased \$13.3 million, or 4%, reflecting higher support costs and utility usage for the expanded 4G LTE network and the completion of certain tower maintenance and repair projects.

Expenses incurred when U.S. Cellular’s customers used other carriers’ networks while roaming increased \$19.4 million, or 11%, driven primarily by an increase in data roaming usage, partially offset by lower rates and voice volume.

Customer usage expenses decreased \$27.6 million, or 13%, driven by lower fees for platform and content providers, a decrease in long distance charges driven by rate reductions, and a decrease in circuit costs from the migration to LTE.

U.S. Cellular expects system operations expenses to increase in the future to support the continued growth in cell sites and other network facilities as it continues to add capacity, enhance quality and deploy new technologies as well as to support increases in total customer usage, particularly data usage. However, these increases are expected to be offset to some extent by cost savings generated by shifting data traffic to the 4G LTE network from the 3G network.

Cost of equipment sold

The decrease in Cost of equipment sold is a result of an 11% reduction in devices sold and a decrease in the average cost per device sold driven by the lower cost of smartphones and connected devices. Cost of equipment sold in 2015 included \$448.7 million related to equipment installment plan sales compared to \$280.3 million in 2014. Loss on equipment was \$406.4 million and \$697.9 million for 2015 and 2014, respectively.

Selling, general and administrative expenses

Selling expenses decreased \$20.5 million, or 3%, due primarily to lower agent and retail commission expenses driven by fewer activations and renewals, partially offset by increased advertising expenses.

General and administrative expenses decreased \$77.7 million, or 9%, due primarily to lower consulting expenses related to the billing system and customer service operations, and lower rates for roamer administration.

Depreciation, amortization and accretion expense

Depreciation, amortization and accretion expense remained relatively flat year over year.

(Gain) loss on asset disposals, net

The decrease in Loss on asset disposals was due primarily to fewer write-offs and disposals of certain network assets.

(Gain) loss on sale of business and other exit costs, net

The net gain in 2015 was due primarily to a \$108.2 million gain recognized on the Tower Sale. The net gain in 2014 was due primarily to \$29.3 million of gain related to the continuing impact of the Divestiture Transaction. See Note 6 — Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements for additional information.

(Gain) loss on license sales and exchanges, net

The net gains in 2015 and 2014 were due to license sales and exchanges with third parties. See Note 6 — Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements for additional information.

2014-2013 Commentary

Total operating revenues

Service revenues decreased as a result of a decrease in the average customer base (including the reductions caused by the Divestiture Transaction and NY1 and NY2 Deconsolidation) and a reduction in revenues from the Federal USF. A decrease in Inbound roaming revenues caused by reductions in inbound roaming rates and voice volumes partially offset by higher inbound roaming data usage further contributed to the decrease in service revenues.

Such reductions were partially offset by increased revenues as a result of higher smartphone penetration and tower rental revenues.

Equipment sales revenues increased due to an increase in the average revenue per device sold due primarily to the implementation of equipment installment plans on a broad basis in 2014, and increases in the sales of connected devices and accessories. This increase is partially offset by a decrease in sales of other device categories, primarily the feature phone category, and the effects of the Divestiture Transaction and the NY1 & NY2 Deconsolidation. Equipment installment plan sales contributed \$190.4 million and \$0.8 million in 2014 and 2013, respectively.

System operations expenses

Maintenance, utility and cell site expenses increased \$26.6 million, or 8%, reflecting higher support costs for the expanded 4G LTE network and completion of certain maintenance projects, partially offset by the impacts of the Divestiture Transaction and NY1 & NY2 Deconsolidation.

Expenses incurred when U.S. Cellular's customers used other carriers' networks while roaming increased \$5.8 million, or 3%, driven primarily by an increase in data roaming usage, partially offset by lower rates, lower voice usage, and the impacts of the Divestiture Transaction and NY1 & NY2 Deconsolidation.

Customer usage expenses decreased \$25.9 million, or 11%, driven by impacts of the Divestiture Transaction and NY1 & NY2 Deconsolidation, by lower fees for platform and content providers, a decrease in long distance charges driven by rate reductions, and a decrease in circuit costs from LTE migration.

Cost of equipment sold

The increase in Cost of equipment sold was the result of a 22% increase in the average cost per device sold, which more than offset the impact of selling fewer devices. Average cost per device sold increased due to general customer preference for higher priced 4G LTE smartphones and tablets. Cost of equipment sold in 2014 includes \$280.3 million related to equipment installment plan sales compared to \$0.8 million in 2013. Loss on equipment was \$697.9 million and \$674.9 million for 2014 and 2013, respectively.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased \$85.5 million, or 5%, in 2014 due to the impacts of the Divestiture Transaction, NY1 & NY2 Deconsolidation and lower consulting expenses in 2014 related to the billing system conversion in the prior year.

Depreciation, amortization and accretion expense

Depreciation, amortization and accretion decreased due to acceleration of Depreciation, amortization and accretion resulting from the Divestiture Transaction. Accelerated depreciation resulting from the Divestiture Transaction was \$13.1 million and \$158.5 million in 2014 and 2013, respectively.

(Gain) loss on asset disposals, net

The decrease in Loss on asset disposals was due primarily to fewer write-offs and disposals of certain network assets.

(Gain) loss on sale of business and other exit costs, net

The net gain in 2014 and 2013 was due primarily to \$29.3 million and \$248.4 million of gain recognized related to the Divestiture Transaction. See Note 6 — Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements for additional information.

(Gain) loss on license sales and exchanges

The net gain in 2014 and 2013 was due to license sales and exchanges with third parties. See Note 6 — Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements for additional information.

Components of Other Income (Expense)

Year Ended December 31,	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
(Dollars in thousands)					
Operating income (loss)	\$ 312,942	\$ (143,390)	\$ 146,865	\$ 456,332 >100%	\$ (290,255) >(100)%
Equity in earnings of					
unconsolidated entities	140,083	129,764	131,949	10,319 8%	(2,185) (2)%
Interest and dividend income	36,332	12,148	3,961	24,184 >100%	8,187 >100%
Gain (loss) on investments	—	—	18,556	— N/M	(18,556) N/M
Interest expense	(86,194)	(57,386)	(43,963)	(28,808) (50)%	(13,423) (31)%
Other, net	466	160	288	306 >100%	(128) (44)%
Total investment and other income	90,687	84,686	110,791	6,001 7%	(26,105) (24)%
Income (loss) before income taxes	403,629	(58,704)	257,656	462,333 >100%	(316,360) >(100)%
Income tax expense (benefit)	156,334	(11,782)	113,134	168,116 >100%	(124,916) >(100)%
Net income (loss)	247,295	(46,922)	144,522	294,217 >100%	(191,444) >(100)%
Less: Net income (loss) attributable to noncontrolling interests, net of tax	5,948	(4,110)	4,484	10,058 >100%	(8,594) >(100)%
Net income (loss) attributable to U.S. Cellular shareholders	\$ 241,347	\$ (42,812)	\$ 140,038	\$ 284,159 >100%	\$ (182,850) >(100)%

N/M - Percentage change not meaningful

2015-2014 Commentary

Equity in earnings of unconsolidated entities

Equity in earnings of unconsolidated entities represents U.S. Cellular's share of net income from entities in which it has a noncontrolling interest and that are accounted for by the equity method. U.S. Cellular's investment in the Los Angeles SMSA Limited Partnership ("LA Partnership") contributed \$ 74.0 million and \$ 71.8 million to Equity in earnings of unconsolidated entities in 2015 and 2014, respectively.

Interest and dividend income

Interest and dividend income increased due to imputed interest income recognized on equipment installment plans of \$ 33.9 million and \$ 8.7 million in 2015 and 2014, respectively. See Note 3 — Equipment Installment Plans in the Notes to Consolidated Financial Statements for additional information.

Interest expense

Interest expense increased from 2014 to 2015 due primarily to U.S. Cellular's issuance of \$275 million of 7.25% Senior Notes in December 2014, borrowing of \$225 million on its Term Loan in July 2015 and the \$300 million of 7.25% Senior Notes issued in November 2015.

Income tax expense

The effective tax rates on Income before income taxes for 2015 and 2014 were 38.7% and 20.1% , respectively. The following significant discrete and other items impacted income tax expense for these years:

2015 – The effective tax rate for 2015 is consistent with a normalized tax rate inclusive of federal and state tax. There were no significant discrete items that impacted the rate.

2014 – Includes tax expense of \$6.4 million related to a valuation allowance recorded against certain state deferred tax assets. The effective tax rate in 2014 is lower due to the effect of this item combined with the loss in 2014 in Income (loss) before income taxes.

See Note 4 — Income Taxes in the Notes to Consolidated Financial Statements for a discussion of income tax expense and the overall effective tax rate on Income before income taxes.

Net income (loss) attributable to noncontrolling interests, net of tax

The increase from 2014 to 2015 is due to higher income from certain partnerships in 2015.

2014-2013 Commentary

Equity in earnings of unconsolidated entities

Equity in earnings of unconsolidated entities represents U.S. Cellular's share of net income from entities in which it has a noncontrolling interest and that are accounted for by the equity method. U.S. Cellular's investment in the LA Partnership contributed \$ 71.8 million and \$ 78.4 million to Equity in earnings of unconsolidated entities in 2014 and 2013, respectively.

Interest and dividend income

Interest and dividend income increased due to imputed interest income recognized on equipment installment plans of \$ 8.7 million 2014 . See Note 3 — Equipment Installment Plans in the Notes to Consolidated Financial Statements for additional information.

Gain (loss) on investments

In 2013, U.S. Cellular recognized a non-cash pre-tax gain of \$18.5 million in connection with the deconsolidation of the NY1 & NY2 Partnerships. See Note 6 — Acquisitions, Divestitures and Exchanges and Note 8 — Investments in Unconsolidated Entities in the Notes to Consolidated Financial Statements for additional information.

Interest expense

Interest expense increased \$13.4 million from 2013 due primarily to a decrease in capitalized interest related to fewer network and systems projects. Interest cost capitalized was \$6.2 million and \$18.4 million for 2014 and 2013, respectively.

Income tax expense

The effective tax rates on Income before income taxes for 2014 and 2013 were 20.1% and 43.9% , respectively. The following significant discrete and other items impacted income tax expense for these years:

2014 — Includes tax expense of \$6.4 million related to valuation allowance recorded against certain state deferred tax assets. The effective tax rate in 2014 is lower due to the effect of this item combined with the loss in 2014 in Income (loss) before income taxes.

2013 — Includes tax expense of \$20.4 million related to the NY1 & NY2 Deconsolidation and the Divestiture Transaction, and a tax benefit of \$5.4 million resulting from statute of limitation expirations.

See Note 4 — Income Taxes in the Notes to Consolidated Financial Statements for a discussion of income tax expense and the overall effective tax rate on Income before income taxes.

Net income (loss) attributable to noncontrolling interests, net of tax

The decrease from 2013 to 2014 is due primarily to the elimination of the noncontrolling interest as a result of the NY1 & NY2 Deconsolidation on April 3, 2013 and lower income from certain partnerships in 2014.

Liquidity and Capital Resources

Sources of Liquidity

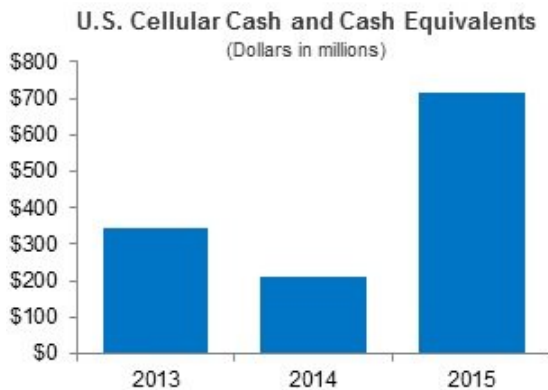
U.S. Cellular believes that existing cash and investment balances, funds available under its revolving credit facilities, and expected cash flows from operating and investing activities provide liquidity for U.S. Cellular to meet its normal day-to-day operating needs and debt service requirements for the coming year.

U.S. Cellular operates a capital-intensive business. U.S. Cellular has used internally-generated funds and also has obtained substantial funds from external sources for general corporate purposes. In the past, U.S. Cellular's existing cash and investment balances, funds available under its revolving credit facility, funds from other financing sources, including a term loan and other long-term debt, and cash flows from operating, investing and financing activities, including sales of assets or businesses, provided sufficient liquidity and financial flexibility for U.S. Cellular to meet its normal day-to-day operating needs and debt service requirements, to finance the build-out and enhancement of markets and to fund acquisitions. There is no assurance that this will be the case in the future. It may be necessary from time to time to increase the size of the existing revolving credit facility, to put in place a new credit facility, or to obtain other forms of financing in order to fund potential expenditures. U.S. Cellular's liquidity would be adversely affected if, among other things, U.S. Cellular is unable to obtain short or long-term financing on acceptable terms, U.S. Cellular makes spectrum license purchases in FCC auctions or from other parties, the LA Partnership does not resume or reduces distributions compared to prior historical levels and/or ETC and/or other regulatory support payments continue to decline. In addition, although sales of assets or businesses by U.S. Cellular have been an important source of liquidity for U.S. Cellular in recent periods, U.S. Cellular does not expect a similar level of such sales in the future, which will reduce a source of liquidity for U.S. Cellular. In recent years, U.S. Cellular's credit rating has declined to sub-investment grade.

In certain recent periods, U.S. Cellular has incurred negative free cash flow (defined as Cash flows from operating activities less Cash used for additions to property, plant and equipment) and this will continue in the future if operating results do not improve. U.S. Cellular currently expects to have negative free cash flow in 2016. U.S. Cellular may require substantial additional capital for, among other uses, funding day-to-day operating needs, working capital, acquisitions of providers of wireless telecommunications services, spectrum license or system acquisitions, system development and network capacity expansion, debt service requirements, the repurchase of shares, the payment of dividends, or making additional investments. There can be no assurance that sufficient funds will continue to be available to U.S. Cellular or its subsidiaries on terms or at prices acceptable to U.S. Cellular. Insufficient cash flows from operating activities, changes in its credit ratings, defaults of the terms of debt or credit agreements, uncertainty of access to capital, deterioration in the capital markets, reduced regulatory capital at banks which in turn limits their ability to borrow and lend, other changes in the performance of U.S. Cellular or in market conditions or other factors could limit or restrict the availability of financing on terms and prices acceptable to U.S. Cellular, which could require U.S. Cellular to reduce its acquisition, capital expenditure and business development programs, reduce the acquisition of spectrum licenses, and/or reduce or cease share repurchases and/or the payment of dividends. U.S. Cellular cannot provide assurances that circumstances that could have a material adverse effect on its liquidity or capital resources will not occur. Any of the foregoing would have an adverse impact on U.S. Cellular's businesses, financial condition or results of operations.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market investments. The primary objective of U.S. Cellular's Cash and cash equivalents is for use in its operations and acquisition, capital expenditure and business development programs.



At December 31, 2015, U.S. Cellular's cash and cash equivalents totaled \$ 715.4 million. The majority of U.S. Cellular's Cash and cash equivalents was held in bank deposit accounts and in money market funds that invest exclusively in U.S. Treasury Notes or in repurchase agreements fully collateralized by such obligations. U.S. Cellular monitors the financial viability of the money market funds and direct investments in which it invests and believes that the credit risk associated with these investments is low.

Financing

Revolving Credit Facility

U.S. Cellular has a revolving credit facility available for general corporate purposes including spectrum purchases and capital expenditures, with a maximum borrowing capacity of \$ 300 million. As of December 31, 2015, the unused capacity under this agreement was \$ 282.5 million. U.S. Cellular did not borrow or repay any cash amounts under its revolving credit facility in 2015, and had no cash borrowings outstanding under its revolving credit facility as of December 31, 2015. The continued availability of the revolving credit facility requires U.S. Cellular to comply with certain negative and affirmative covenants, maintain certain financial ratios and make representations regarding certain matters at the time of each borrowing. The covenants also prescribe certain terms associated with intercompany loans from TDS or TDS subsidiaries to U.S. Cellular or U.S. Cellular subsidiaries. There were no intercompany loans at December 31, 2015 or 2014. U.S. Cellular believes that it was in compliance as of December 31, 2015 with all of the financial and other covenants and requirements set forth in its revolving credit facility.

See Note 11 — Debt in the Notes to Consolidated Financial Statements for additional information regarding the revolving credit facility.

Term Loan

In January 2015, U.S. Cellular entered into a senior term loan credit facility. In July 2015, U.S. Cellular borrowed the full amount of \$225 million available under this facility in two separate draws. Principal reductions will be due and payable in quarterly installments of \$2.8 million beginning in March 2016 through December 2021, and the remaining unpaid balance will be due and payable in January 2022. This facility was entered into for general corporate purposes, including working capital, spectrum purchases and capital expenditures.

The continued availability of the term loan facility requires U.S. Cellular to comply with certain negative and affirmative covenants, maintain certain financial ratios and make representations regarding certain matters at the time of each borrowing, that are substantially the same as those in U.S. Cellular's revolving credit facility described above. U.S. Cellular believes that it was in compliance at December 31, 2015 with all of the financial and other covenants and requirements set forth in the term loan facility.

See Note 11 — Debt in the Notes to Consolidated Financial Statements for additional information.

Financial Covenants

As noted above, the revolving credit facility and senior term loan facility require U.S. Cellular to comply with certain affirmative and negative covenants, including certain financial covenants. In particular, under these agreements, as amended, beginning July 1, 2014, U.S. Cellular is required to maintain the Consolidated Leverage Ratio at a level not to exceed 3.75 to 1.00 for the period of the four fiscal quarters most recently ended (this was 3.00 to 1.00 prior to July 1, 2014). The maximum permitted Consolidated Leverage Ratio decreases beginning January 1, 2016 from 3.75 to 3.50, with further decreases effective July 1, 2016 and January 1, 2017 (and will return to 3.00 to 1.00 at that time). U.S. Cellular believes it was in compliance at December 31, 2015 with all such covenants. However, depending on U.S. Cellular's future financial performance, there is a risk that U.S. Cellular could fail to satisfy the financial covenants in the future. If U.S. Cellular breaches a financial or other covenant of either of these agreements, it would result in a default under that agreement, and could involve a cross-default under other debt instruments. This could in turn cause the affected lenders to accelerate the repayment of principal and accrued interest on any outstanding debt under such agreements and, if they choose, terminate the facility. If appropriate, U.S. Cellular may request the applicable lender for an amendment of financial covenants in the U.S. Cellular revolving credit facility and the U.S. Cellular term loan facility, in order to provide additional financial flexibility to U.S. Cellular, and may also seek other changes to such facilities. There is no assurance that the lenders will agree to any amendments. If the lenders agree to amendments, this may result in additional payments or higher interest rates payable to the lenders and/or additional restrictions. Restrictions in such debt instruments may limit U.S. Cellular's operating and financial flexibility.

Other Long-Term Financing

U.S. Cellular has an effective shelf registration statement on Form S-3 to issue senior or subordinated debt securities. The proceeds from any such issuance may be used for general corporate purposes, including: the possible reduction of other short-term or long-term debt, spectrum purchases, and capital expenditures; in connection with acquisition, construction and development programs; for working capital; to provide additional investments in subsidiaries; or the repurchase of shares. The U.S. Cellular shelf registration statement permits U.S. Cellular to issue at any time and from time to time senior or subordinated debt securities in one or more offerings, up to the amount registered. The ability of U.S. Cellular to complete an offering pursuant to such shelf registration statement is subject to market conditions and other factors at the time.

In November 2015, U.S. Cellular issued \$300 million of 7.25% Senior Notes due in 2064 for general corporate purposes including spectrum purchases, reducing the available amount on U.S. Cellular's shelf registration statement from \$500 million to \$200 million. U.S. Cellular has the authority to replenish this shelf registration statement back to \$500 million.

U.S. Cellular believes that it was in compliance as of December 31, 2015 with all covenants and other requirements set forth in its long-term debt indentures. U.S. Cellular has not failed to make nor does it expect to fail to make any scheduled payment of principal or interest under such indentures.

The long-term debt principal payments due for the next five years represent less than 4% of the total gross long-term debt obligation at December 31, 2015. Refer to Market Risk — Long-Term Debt for additional information regarding required principal payments and the weighted average interest rates related to U.S. Cellular's Long-term debt.

U.S. Cellular, at its discretion, may from time to time seek to retire or purchase its outstanding debt through cash purchases and/or exchanges for other securities, in open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

See Note 11 — Debt in the Notes to Consolidated Financial Statements for additional information on long-term financing.

Credit Rating

In certain circumstances, U.S. Cellular's interest cost on its revolving credit and term loan facilities may be subject to increase if its current credit ratings from nationally recognized credit rating agencies are lowered, and may be subject to decrease if the ratings are raised. U.S. Cellular's facilities do not cease to be available nor do the maturity dates accelerate solely as a result of a downgrade in credit rating. However, a downgrade U.S. Cellular's credit rating could adversely affect its ability to renew the facilities or obtain access to other credit facilities in the future.

U.S. Cellular is rated at sub-investment grade. U.S. Cellular's credit ratings as of December 31, 2015, and the dates such ratings were issued/re-affirmed were as follows:

<u>Rating Agency</u>	<u>Rating</u>	<u>Outlook</u>
Moody's (re-affirmed November 2015)	Ba1	—negative outlook
Standard & Poor's (re-affirmed November 2015)	BB	—stable outlook
Fitch Ratings (re-affirmed August 2015)	BB+	—stable outlook

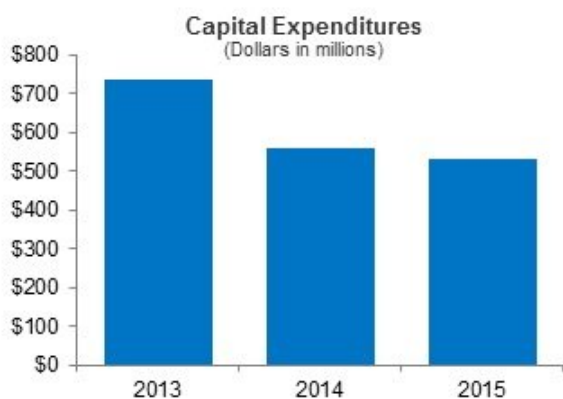
Capital Requirements

The discussion below is intended to highlight some of the significant cash outlays expected during 2016 and beyond and to highlight the spending incurred in prior years for these items. This discussion does not include cash required to fund normal operations, and is not a comprehensive list of capital requirements. Significant cash requirements that are not routine or in the normal course of business could arise from time to time.

Capital Expenditures

U.S. Cellular makes substantial investments to acquire wireless licenses and properties and to construct and upgrade wireless telecommunications networks and facilities to remain competitive and as a basis for creating long-term value for shareholders. In recent years, rapid changes in technology and new opportunities (such as 4G LTE technology) have required substantial investments in potentially revenue - enhancing and cost-reducing upgrades of U.S. Cellular's networks to remain competitive .

Capital expenditures (i.e., additions to property, plant and equipment and system development expenditures), which include the effects of accruals and capitalized interest, in 2015, 2014 and 2013 were as follows:



In 2015, U.S. Cellular completed its deployment of 4G LTE technology in certain markets.

U.S. Cellular's capital expenditures for 2016 are expected to be approximately \$ 500 million . These expenditures are expected to be for the following general purposes:

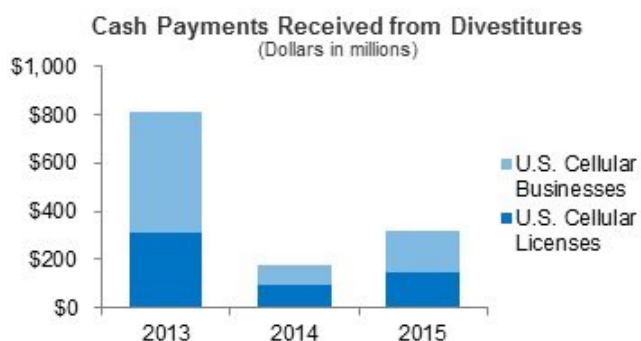
- Expand and enhance network coverage, including construction of a new regional connectivity center and providing additional capacity to accommodate increased network usage, principally data usage, by current customers;
- Deploy VoLTE technology in certain markets;
- Expand and enhance the retail store network; and
- Develop and enhance office systems.

U.S. Cellular plans to finance its capital expenditures program for 2016 using primarily Cash flows from operating activities , existing cash balances, borrowings under its revolving credit agreement and/or other long-term debt.

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 capital. In general, U.S. Cellular may not disclose such transactions until there is a definitive agreement. See Note 6 — Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements for additional information related to significant transactions. As part of this strategy, U.S. Cellular reviews attractive opportunities to acquire additional wireless operating markets and wireless spectrum, including pursuant to FCC auctions. Cash payments for acquisitions of licenses were \$ 285.8 million, \$ 38.2 million and \$ 16.5 million in 2015, 2014 and 2013, respectively.

Cash received from divestitures in 2015 , 2014 and 2013 were as follows:



U.S. Cellular may seek to divest outright or include in exchanges for other wireless interests those interests that are not strategic to its long-term success. As a result, U.S. Cellular may be engaged from time to time in negotiations relating to the acquisition, divestiture or exchange of companies, properties or wireless spectrum.

In February 2016, U.S. Cellular filed an application to participate as a forward auction bidder for 600 MHz broadcast television spectrum licenses in an FCC auction referred to as Auction 1000. Auction 1000 is expected to commence with the broadcaster initial commitment deadline on March 29, 2016. Forward auction bidding is likely to begin a couple of months later and could continue for three months or longer. See “Regulatory Matters — FCC Auction 1000.” Prior to becoming a qualified bidder, U.S. Cellular must make an upfront payment, the size of which establishes its initial bidding eligibility. If U.S. Cellular is a winning bidder in the auction, it may be required to make additional payments to the FCC that may be substantial. In such event, U.S. Cellular plans to finance such payments from its existing cash balances, borrowings under its revolving credit agreement and/or additional long-term debt.

Due to the FCC’s anti-collusion rules, U.S. Cellular may not disclose any details relating to its participation or information about whether or not it is a winning bidder unless and until it is announced as a winning bidder by the FCC.

Due to changes in FCC rules, U.S. Cellular will not be participating in Auction 1000 through a limited partnership that is a “designated entity” which qualifies for a discount of 25% on any licenses won in the auction, as U.S. Cellular has done in prior auctions. Instead, U.S. Cellular will be participating in the auction directly and will not qualify for any discount on licenses that may be won in the auction.

To the extent that existing competitors or new entrants acquire low-band (600 MHz) spectrum in U.S. Cellular markets in Auction 1000, U.S. Cellular could face increased competition over time from competitors that hold more efficient and superior low-band spectrum, which would have an adverse effect on U.S. Cellular’s wireless competitive position.

In January 2016, U.S. Cellular entered into an agreement to purchase a 700 MHz A Block license for \$36.0 million. In February 2016, U.S. Cellular entered into multiple agreements with third parties that provide for the transfer of certain AWS and PCS spectrum licenses and approximately \$30 million in cash to U.S. Cellular, in exchange for U.S. Cellular transferring certain AWS, PCS and 700 MHz licenses to the third parties.

Variable Interest Entities

U.S. Cellular consolidates certain entities because they are “variable interest entities” under GAAP. See Note 13 — Variable Interest Entities in the Notes to Consolidated Financial Statements for additional information related to these variable interest entities. U.S. Cellular may elect to make additional capital contributions and/or advances to these variable interest entities in future periods in order to fund their operations.

Common Share Repurchase Program

In 2009, the Board of Directors of U.S. Cellular authorized the repurchase from time to time of up to 1,300,000 Common Shares on an annual basis beginning in 2009 and continuing each year thereafter, on a cumulative basis. As of December 31, 2015, there were 4,755,298 U.S. Cellular Common Shares available for purchase under this program, which increased by 1,300,000 Common Shares on January 1, 2016. This authorization does not have an expiration date.

There were limited U.S. Cellular share repurchases in 2015. Depending on its future financial performance, construction, development or acquisition programs, and available sources of financing, U.S. Cellular may not have sufficient liquidity or capital resources to make significant share repurchases. Therefore, there is no assurance that U.S. Cellular will make any significant amount of share repurchases in the future.

For additional information related to the current repurchase authorization and repurchases made during 2015 , 2014 and 2013 , see Note 15 — Common Shareholders’ Equity in the Notes to Consolidated Financial Statements .

Off-Balance Sheet Arrangements

U.S. Cellular had no transactions, agreements or other contractual arrangements with unconsolidated entities involving “off-balance sheet arrangements,” as defined by SEC rules, that had or are reasonably likely to have a material current or future effect on its financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contractual and Other Obligations

At December 31, 2015, the resources required for contractual obligations were as follows:

	Total	Payments Due by Period			
		Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
(Dollars in millions)					
Long-term debt obligations ¹	\$ 1,686.3	\$ 11.3	\$ 22.6	\$ 22.6	\$ 1,629.8
Interest payments on long-term debt obligations	3,798.7	109.1	218.2	218.2	3,253.2
Operating leases ²	1,203.5	142.0	228.9	160.9	671.7
Capital leases	3.8	0.2	0.5	0.6	2.5
Purchase obligations ³	1,087.1	562.7	336.9	132.9	54.6
	<u>\$ 7,779.4</u>	<u>\$ 825.3</u>	<u>\$ 807.1</u>	<u>\$ 535.2</u>	<u>\$ 5,611.8</u>

¹ Includes current and long-term portions of debt obligations. The total long-term debt obligation differs from Long-term debt, net in the Consolidated Balance Sheet due to capital leases, debt issuance costs and the unamortized discount related to U.S. Cellular's 6.7% Senior Notes. See Note 11 — Debt in the Notes to Consolidated Financial Statements for additional information.

² Includes future lease costs related to office space, retail sites, cell sites and equipment. See Note 12 — Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information.

³ Includes obligations payable under non-cancellable contracts, commitments for network facilities and transport services, agreements for software licensing, long-term marketing programs, and agreements with Apple to purchase certain minimum quantities of Apple iPhone products and fund marketing programs related to the Apple iPhone and iPad products.

The table above excludes liabilities related to "unrecognized tax benefits" as defined by GAAP because U.S. Cellular is unable to predict the period of settlement of such liabilities. Such unrecognized tax benefits were \$ 38.5 million at December 31, 2015. See Note 4 — Income Taxes in the Notes to Consolidated Financial Statements for additional information on unrecognized tax benefits.

See Note 12 — Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information.

Consolidated Cash Flows

U.S. Cellular operates a capital - and marketing - intensive business. U.S. Cellular utilizes cash on hand, cash from operating activities, cash proceeds from divestitures and disposition of investments, short-term credit facilities and long-term debt financing to fund its acquisitions (including licenses), construction costs, operating expenses and share repurchases. Cash flows may fluctuate from quarter to quarter and year to year due to seasonality, the timing of acquisitions and divestitures, capital expenditures and other factors. The following discussion summarizes U.S. Cellular's cash flow activities in 2015, 2014 and 2013.

2015 Commentary

Cash Flows from Operating Activities

Cash flows from operating activities were \$ 555.1 million in 2015. An increase in cash flows from operating activities was due primarily to improved net income and working capital factors. In 2015, increased receivables related to equipment installment plans decreased cash flows from operating activities. In the near term and as the popularity of equipment installment plans increases, U.S. Cellular expects this trend to continue.

In December 2015, as part of the Protecting Americans from Tax Hikes Act of 2015, bonus depreciation was enacted which allowed U.S. Cellular to accelerate deductions for depreciation, resulting in an overpayment of estimated tax amounts paid during 2015. Primarily as a result of this overpayment, U.S. Cellular has recorded \$ 34.3 million of Income taxes receivable at December 31, 2015. U.S. Cellular paid income taxes, net of refunds, of \$ 59.2 million in 2015.

Future cash flows from operating activities may be impacted by distributions from investments in unconsolidated entities. Distributions from unconsolidated entities in 2015, 2014 and 2013 were \$ 60.0 million, \$ 112.3 million and \$ 125.7 million, respectively. U.S. Cellular holds a 5.5% ownership interest in the LA Partnership. In 2014 and 2013, U.S. Cellular received cash distributions of \$ 60.5 million and \$ 71.5 million, respectively, from the LA Partnership. U.S. Cellular did not receive any cash distributions in 2015 from the LA Partnership as U.S. Cellular was informed by the general partner that, in connection with the acquisition of a spectrum license covering the LA Partnership's market in FCC Auction 97, the LA Partnership would not make a cash distribution in 2015. This spectrum license will enhance the value of U.S. Cellular's interest in the LA Partnership. Notwithstanding the lack of a cash distribution in 2015, U.S. Cellular will be obligated to make tax payments on its share of any taxable income reported by the LA Partnership in 2015 and beyond. The amount of future cash distributions from the LA Partnership are uncertain, and could be impacted by future spectrum purchases by the LA Partnership.

Cash Flows from Investing Activities

Cash flows used for investing activities were \$ 548.7 million in 2015 . U.S. Cellular makes substantial investments to acquire wireless licenses and properties and to construct and upgrade wireless telecommunications networks and facilities as a basis for creating long-term value for shareholders. In recent years, rapid changes in technology and new opportunities have required substantial investments in potentially revenue - enhancing and cost-reducing upgrades to U.S. Cellular's networks. Cash used for additions to property, plant and equipment totaled \$ 580.6 million in 2015 .

During 2015, a \$278.3 million payment was made by Advantage Spectrum L.P. to the FCC for licenses for which it was the provisional winning bidder. See Note 6 — Acquisitions, Divestitures and Exchanges and Note 13 — Variable Interest Entities in the Notes to Consolidated Financial Statements for additional information.

Cash Flows from Financing Activities

Cash flows from financing activities were \$ 497.4 million in 2015 . In July 2015, U.S. Cellular borrowed \$225 million on its Term Loan. In November 2015, U.S. Cellular issued \$300 million of 7.25% Senior Notes due 2064.

2014 Commentary

Cash Flows from Operating Activities

Cash flows from operating activities were \$ 172.3 million in 2014 . Working capital factors which significantly decreased cash flows from operating activities included changes in accounts payable levels as a result of timing differences related to operating expenses and device purchases. In 2014, increased receivables related to equipment installment plans decreased cash flows from operating activities.

In December 2014, as part of the Tax Increase Prevention Act of 2014, bonus depreciation was enacted which allowed U.S. Cellular to accelerate deductions for depreciation resulting in a federal taxable loss in 2014. Primarily as a result of this federal income tax carryback, U.S. Cellular recorded \$ 74.8 million of Income taxes receivable at December 31, 2014. U.S. Cellular paid income taxes, net of refunds, of \$ 33.3 million in 2014.

Cash Flows from Investing Activities

Cash flows used for investing activities were \$ 470.8 million in 2014 . Cash used for additions to property, plant and equipment totaled \$ 605.1 million in 2014 . Cash received from divestitures in 2014 was \$ 179.8 million which includes \$91.8 million related to licenses and \$71.1 million related to the Divestiture Transaction. See Note 6 — Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements for additional information related to these divestitures. U.S. Cellular realized cash proceeds of \$ 50.0 million in 2014 related to the maturities of its investments in U.S. Treasury Notes and corporate notes. In 2014, cash used for investing activities includes a \$ 60.0 million deposit made by Advantage Spectrum, L.P., a variable interest entity consolidated by U.S. Cellular, to the FCC for its participation in Auction 97. See Note 13 — Variable Interest Entities in the Notes to Consolidated Financial Statements for additional information.

Cash Flows from Financing Activities

Cash flows from financing activities were \$ 167.9 million in 2014 . In December 2014, U.S. Cellular issued \$ 275 million of 7.25% Senior Notes due 2063.

In September 2014, U.S. Cellular purchased licenses from Airadigm Communications, Inc. ("Airadigm"). TDS owns 100% of the common stock of Airadigm. Upon closing, Airadigm transferred to U.S. Cellular FCC spectrum licenses and certain tower assets in certain markets in Wisconsin, Iowa, Minnesota and Michigan, in consideration for \$91.5 million in cash. Since both parties to this transaction are controlled by TDS, U.S. Cellular recorded the transferred assets at Airadigm's net book value of \$15.2 million. The \$ 76.3 million difference between the consideration paid and the net book value of the transferred assets was recorded as an Acquisition of assets in common control transaction cash outflow from financing activities. See Note 6 — Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements for additional information related to this transaction.

2013 Commentary

Cash Flows from Operating Activities

Cash flows from operating activities were \$ 290.9 million in 2013 . In 2013, accounts receivable grew substantially due to issues resulting from the conversion to a new billing system. U.S. Cellular paid income taxes, net of refunds, of \$ 157.8 million in 2013.

Cash Flows from Investing Activities

Cash flows from investing activities were \$ 172.7 million in 2013 . Cash used for additions to property, plant and equipment totaled \$ 717.9 million in 2013 . Cash received from divestitures in 2013 was \$ 811.1 million which includes \$490.6 million related to the Divestiture Transaction and \$312.0 million related to FCC licenses . See Note 6 — Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements for additional information related to these divestitures. U.S. Cellular realized cash proceeds of \$ 100.0 million in 2013 related to the maturities of its investments in U.S. Treasury Notes and corporate notes.

Cash Flows from Financing Activities

Cash flows used for financing activities were \$ 499.9 million in 2013. In June 2013, U.S. Cellular paid a special cash dividend of \$5.75 per share, for an aggregate amount of \$ 482.3 million, to all holders of U.S. Cellular Common Shares and Series A Common Shares as of June 11, 2013. U.S. Cellular did not pay any dividends in 2015 or 2014.

Consolidated Balance Sheet Analysis

The following discussion addresses certain captions in the consolidated balance sheet and changes therein. This discussion is intended to highlight the significant changes and is not intended to fully reconcile the changes. Changes in financial condition during 2015 are as follows:

Cash and cash equivalents

Cash and cash equivalents increased \$ 503.9 million driven primarily by proceeds received from the issuance of \$300 million 7.25% Senior Notes and the \$225 million draw on the Term Loan. Cash flow from operating activities less cash used for additions to property, plant and equipment yielded a net cash reduction of \$25.5 million. Cash received from divestitures also exceeded Cash paid for acquisitions and licenses by \$30.9 million.

Accounts receivable, net

Accounts receivable, net increased \$ 115.3 million primarily as a result of a \$136.7 million increase attributable to equipment installment plans. U.S. Cellular implemented equipment installment plans on a broad basis in 2014.

Inventory, net

Inventory, net decreased \$ 117.8 million due primarily to selling inventory on hand at December 31, 2014 and better management of purchasing and overall inventory levels based upon anticipated demand and promotional activities.

Net deferred income tax asset

Net deferred income tax asset decreased \$ 93.1 million as a result of the early adoption of ASU 2015-17 as of December 31, 2015. The previously identified Net current deferred tax asset is now grouped with non-current deferred income tax liability in accordance with ASU 2015-17. See Note 4 — Income Taxes in the Notes to Consolidated Financial Statements for more information on ASU 2015-17.

Assets held for sale

Assets held for sale decreased \$ 107.1 million due to the closing of the Tower Sale (\$50.2 million) and two license exchanges (\$56.8 million). No assets were held for sale as of December 31, 2015. For more information on the Tower Sale, see Note 6 — Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements.

Licenses

Licenses increased \$ 390.8 million due primarily to an aggregate winning bid of \$338.3 million in FCC Auction 97 by Advantage Spectrum and other license purchases and exchanges resulting in a net increase of \$51.0 million. Auction 97 licenses won by Advantage Spectrum have not yet been granted. See Note 6 — Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements for more information about these transactions.

Long-term debt, net

Long-term debt, net increased \$ 501.6 million due primarily to the \$300 million 7.25% Senior Notes issued in November 2015 and \$225 million Term Loan draw in July 2015. See Note 11 — Debt for additional information.

Application of Critical Accounting Policies and Estimates

U.S. Cellular prepares its consolidated financial statements in accordance with GAAP. U.S. Cellular's significant accounting policies are discussed in detail in Note 1 — Summary of Significant Accounting Policies and Recent Accounting Pronouncements in the Notes to Consolidated Financial Statements.

Management believes the application of the following critical accounting policies and the estimates required by such application reflect its most significant judgments and estimates used in the preparation of U.S. Cellular's consolidated financial statements. Management has discussed the development and selection of each of the following accounting policies and related estimates and disclosures with the Audit Committee of U.S. Cellular's Board of Directors.

Intangible Asset Impairment

Licenses and Goodwill represent a significant component of U.S. Cellular's consolidated assets. These assets are considered to be indefinite lived assets and are therefore not amortized but tested annually for impairment. U.S. Cellular performs annual impairment testing of Licenses and Goodwill as of November 1 of each year or more frequently if triggering events are present. Significant negative events, such as changes in any of the assumptions described below as well as decreases in forecasted cash flows, could result in an impairment in future periods.

See Note 7 — Intangible Assets in the Notes to Consolidated Financial Statements for information related to Licenses and Goodwill activity in 2015 and 2014.

Wireless Licenses

Prior to the fourth quarter of 2015, U.S. Cellular separated its FCC licenses into eleven units of accounting based on geographic service areas. The eleven units of accounting consisted of four geographic units of accounting for developed operating market licenses ("built licenses") and seven geographic non-operating market licenses ("unbuilt licenses"). As part of the current year annual impairment evaluation, U.S. Cellular evaluated the aggregation criteria based on how such licenses are deployed and provide value in U.S. Cellular's operations, and current industry and market factors. It was determined that the built licenses should be aggregated into one unit of accounting. The unbuilt licenses continued to be separated into seven geographic units of accounting.

As of November 1, 2015, U.S. Cellular performed a qualitative impairment assessment to determine whether it was more likely than not that the fair value of the licenses exceeded their carrying value. Given the change in the reporting units for built licenses, the qualitative assessment was performed for the following units of accounting: historical four units of accounting for built licenses, newly defined one unit of accounting for built licenses, and seven unbuilt licenses. As part of the assessment, U.S. Cellular considered several qualitative factors, including analysts' estimates of license values, recent spectrum auction results, recent U.S. Cellular transactions and other industry and market factors. Based on this assessment, U.S. Cellular concluded that it was more likely than not that the fair value of the licenses in each unit of accounting exceeded the respective carrying values. Therefore, no impairment of licenses existed and no Step 1 impairment evaluation was completed.

Goodwill

U.S. Cellular has recorded Goodwill as a result of the acquisition of wireless companies. Prior to the fourth quarter of 2015, U.S. Cellular was comprised of four reporting units based on geographic service areas. Due to the evolution of the business and the extent to which U.S. Cellular has similar customers, products and services, and operations across all geographic regions, and also operates one interdependent network, U.S. Cellular determined that it had one reporting unit as of November 1, 2015. The change in reporting units required U.S. Cellular to perform an impairment test for both the previous four reporting units and one new reporting unit as of November 1, 2015. The newly defined one reporting unit hereafter is referred to as U.S. Cellular.

Based on the results of the annual Goodwill impairment assessment performed as of November 1, 2015, the fair value of each of the historical four and U.S. Cellular reporting units exceeded their respective carrying values. Therefore, no impairment of Goodwill existed.

A discounted cash flow approach was used to value each reporting unit, using value drivers and risks specific to the industry and current economic factors. The cash flow estimates incorporated assumptions that market participants would use in their estimates of fair value and may not be indicative of U.S. Cellular specific assumptions. However, the discount rate used in the analysis accounts for any additional risk a market participant might place on integrating U.S. Cellular into its operations at the level of cash flows assumed under this approach. The most significant assumptions made in this process were the revenue growth rate (shown as a compound annual growth rate in the table below), the terminal revenue growth rate and the discount rate. There are uncertainties associated with these key assumptions and potential events and/or circumstances that could have a negative effect on these key assumptions described below.

Key Assumptions	As of November 1, 2015
Revenue growth rate ¹	2.3%
Terminal revenue growth rate ¹	2.0%
Discount rate ²	9.5%

¹ There are risks that could negatively impact the projected revenue growth rates, including, but not limited to: the success of new and existing products/services, competition, operational difficulties and customer churn.

² The discount rate of each reporting unit was computed by calculating the weighted average cost of capital of market participants with businesses reasonably comparable to U.S. Cellular. The discount rate is dependent upon the cost of capital of other industry market participants and the company specific risk. To the extent that the weighted average cost of capital of industry participants increases or U.S. Cellular's risk in relation to its peers increases, this would decrease the estimated fair value of the reporting units. The weighted average cost of capital may increase if borrowing costs rise, market participants weight more of their capital structure towards equity vs. debt, or other elements affecting the estimated cost of equity increase.

Provided all other assumptions remained the same, for the historical four reporting units, the discount rate would have to increase to a range of 9.7% to 11.0% to yield an estimated fair value of reporting units that equal their respective carrying values at November 1, 2015. Further, assuming all other assumptions remained the same, for the historical four reporting units, the terminal growth rate assumptions would need to decrease to amounts ranging from negative 1.5% to positive 1.6% to yield an estimated fair value equal to the carrying values of the respective reporting unit at November 1, 2015.

Provided all other assumptions remained the same, for the U.S. Cellular reporting unit, the discount rate would have to increase to 10.4% to yield an estimated fair value of the reporting unit that equals its carrying value at November 1, 2015. Further, assuming all other assumptions remained the same, for the U.S. Cellular reporting unit, the terminal growth rate assumption would need to decrease to negative 0.1% to yield an estimated fair value equal to the carrying value of the reporting unit at November 1, 2015.

The Goodwill balance of U.S. Cellular and of each prior reporting unit as of November 1, 2015 and the percentage by which the estimated fair value of the corresponding reporting units exceeded the carrying values, as a percentage of carrying value, was as follows:

Reporting Unit	Goodwill balance	Excess of estimated Fair Value over Carrying Value
(Dollars in thousands)		
Prior Reporting Units:		
Central Region	\$ 256,786	21.2%
Mid-Atlantic Region	\$ 89,434	5.0%
New England Region	\$ 7,084	28.6%
Northwest Region	\$ 16,292	41.2%
New Single Reporting Unit:		
U.S. Cellular	\$ 369,596	19.8%

Income Taxes

U.S. Cellular is included in a consolidated federal income tax return with other members of the TDS consolidated group. TDS and U.S. Cellular are parties to a Tax Allocation Agreement which provides that U.S. Cellular and its subsidiaries be included with the TDS affiliated group in a consolidated federal income tax return and in state income or franchise tax returns in certain situations. For financial statement purposes, U.S. Cellular and its subsidiaries calculate their income, income tax and credits as if they comprised a separate affiliated group. Under the Tax Allocation Agreement between TDS and U.S. Cellular, U.S. Cellular remits its applicable income tax payments to TDS.

The amounts of income tax assets and liabilities, the related income tax provision and the amount of unrecognized tax benefits are critical accounting estimates because such amounts are significant to U.S. Cellular's financial condition and results of operations.

The preparation of the consolidated financial statements requires U.S. Cellular to calculate a provision for income taxes. This process involves estimating the actual current income tax liability together with assessing temporary differences resulting from the different treatment of items for tax purposes. These temporary differences result in deferred income tax assets and liabilities, which are included in U.S. Cellular's Consolidated Balance Sheet. U.S. Cellular must then assess the likelihood that deferred income tax assets will be realized based on future taxable income and, to the extent management believes that realization is not likely, establish a valuation allowance. Management's judgment is required in determining the provision for income taxes, deferred income tax assets and liabilities and any valuation allowance that is established for deferred income tax assets.

U.S. Cellular recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on management's judgment as to the possible outcome that has a greater than 50% cumulative likelihood of being realized upon ultimate resolution.

See Note 4 — Income Taxes in the Notes to Consolidated Financial Statements for details regarding U.S. Cellular's income tax provision, deferred income taxes and liabilities, valuation allowances and unrecognized tax benefits, including information regarding estimates that impact income taxes.

Equipment Installment Plans

U.S. Cellular offers customers, through its owned and agent distribution channels, the option to purchase certain devices under installment contracts over a specified time period and, under certain of these plans, offers the customer a trade-in right. Customers on an installment contract who elect to trade-in the device will receive a credit in the amount of the outstanding balance of the installment contract, provided the customer trades-in an eligible used device in good working condition and purchases a new device from U.S. Cellular. Equipment revenue under these contracts is recognized at the time the device is delivered to the end-user customer for the selling price of the device, net of any deferred imputed interest and the value of the trade-in right, if applicable.

Trade-In Right

U.S. Cellular values the trade-in right as a guarantee liability. This liability is initially measured at fair value and is determined based on assumptions including the probability and timing of the customer upgrading to a new device and the estimated fair value of the used device eligible for trade-in. U.S. Cellular reevaluates its estimate of the guarantee liability at each reporting date. A significant change in any of the aforementioned assumptions used to compute the guarantee liability would impact the amount of revenue recognized under these plans and the timing thereof. In 2015 and 2014, U.S. Cellular assumed the earliest contractual time of trade-in, or the minimum amount of payments as specified in the device installment contract, for all customers on installment contracts with trade-in rights.

When a customer exercises the trade-in option, the difference between the outstanding receivable balance forgiven and the fair value of the used device is recorded as a reduction to the guarantee liability. If the customer does not exercise the trade-in option at the time he or she is eligible, U.S. Cellular begins amortizing the liability and records this amortization as additional operating revenue.

Interest

U.S. Cellular equipment installment plans do not provide for explicit interest charges. For equipment installment plans with a duration of greater than twelve months, U.S. Cellular imputes interest using a market rate and recognizes such interest income over the duration of the plan as a component of Interest and dividend income. Changes in the imputed interest rate would impact the amount of revenue recognized under these plans.

Allowance for doubtful accounts

U.S. Cellular maintains an allowance for doubtful accounts for estimated losses that result from the failure of its customers to make payments due under the equipment installment plans. The allowance is estimated based on historical experience, account aging and other factors that could affect collectability. When it is probable that an account balance will not be collected, the account balance is charged against the allowance for doubtful accounts. To the extent that actual loss experience differs significantly from historical trends, the required allowance amounts could differ from the original estimates.

Other Items

Inflation

Management believes that inflation affects U.S. Cellular's business to no greater or lesser extent than the general economy.

Seasonality

U.S. Cellular's profitability historically has been lower in the fourth quarter as a result of significant marketing and promotional activity during the holiday season.

Recently Issued Accounting Pronouncements

See Note 1 — Summary of Significant Accounting Policies and Recent Accounting Pronouncements in the Notes to Consolidated Financial Statements for information on recently issued accounting pronouncements.

Certain Relationships and Related Transactions

See Note 18 – Certain Relationships and Related Transactions in the Notes to Consolidated Financial Statements.

Regulatory Matters

FCC Net Neutrality Order

In February 2015, the FCC adopted an Open Internet Order relating to new net neutrality rules. The rules became effective in June 2015. The order reclassified high-speed, or broadband, internet access service as a "telecommunication service," making it subject to common carrier regulation under Title II of the Communications Act of 1934. The order applies equally to fixed and wireless broadband internet service providers and thus applies to internet broadband services provided by telephone, cable and wireless providers.

The rules prohibit (i) blocking (broadband providers may not block access to legal content, applications, services, or non-harmful devices); (ii) throttling (broadband providers may not impair or degrade lawful Internet traffic on the basis of content, applications, services, or non-harmful devices); and (iii) paid prioritization (broadband providers may not favor some lawful internet traffic over other lawful traffic in exchange for consideration, i.e., internet “fast lanes” are prohibited). Also, internet service providers may not prioritize content and services of their affiliates. In addition, the FCC has now asserted jurisdiction over internet traffic exchange, so interconnection arrangements will now be subject to a statutory requirement that all charges, practices, classifications, and regulations for and related to interconnection must be just and reasonable. The rules also include a general conduct standard that will be applied on a case-by-case basis to address questionable practices as they occur that unreasonably interfere with or unreasonably disadvantage lawful content, applications, services, or devices to be used by end users (individuals or entities that use a broadband internet access service), or made available by edge providers (individuals or entities that provide any content, application, or service over the internet, and any individual or entity that provides a device used for accessing any content, application, or service over the internet). Although broadband internet access providers will be allowed to engage in reasonable network management practices, it is uncertain what practices will be permitted by the FCC. The order also expands the FCC’s current internet transparency rules.

All of these requirements will be subject to FCC enforcement and potential third-party claims for damages or equitable relief. Under Title II, the FCC will have broad regulatory authority over internet services and internet service providers. Although the FCC indicated that it will forbear from a number of utility-style regulations, such as rate regulation, tariffs, and unbundling requirements, the FCC could decide to apply such regulations and requirements in the future. Also, it is uncertain if internet services may be subject to the Federal USF contributions or taxation in the future as a result of the reclassification under Title II. Lawsuits have been filed challenging the net neutrality rules and the FCC’s decision to reclassify broadband internet access service under Title II. U.S. Cellular cannot predict the outcome of these proceedings or the impact on its business.

Changes to FCC’s Designated Entity Rules

U.S. Cellular participated in certain prior FCC spectrum auctions through limited partnerships that qualified as “designated entities” under FCC rules and, as such, were eligible for bid credit discounts of 25% with respect to licenses won in the auctions. TDS participated in Auction 97 indirectly through its interest in Advantage Spectrum. Advantage Spectrum applied as a “designated entity” and expects to receive bid credits resulting in a 25% discount with respect to spectrum purchased in Auction 97. In July 2015, the FCC adopted a Report and Order that amended the FCC’s designated entity rules. The amended rules include caps on bid credits that designated entities may receive in future auctions and modify the attribution rules. The amended rules also restrict certain joint bidding agreements but permit certain other arrangements involving more than one party. The FCC also has adopted a rule which would enable the FCC to recoup some or all of the bidding credits granted to any designated entity, on a license by license basis, which allowed a 10 percent or greater non-controlling interest holder in the designated entity to use 25 percent or more of its spectrum capacity during the first five years of the license term. Additionally, the amended rules make certain other changes to the FCC’s competitive bidding rules.

Due to the changes in FCC rules, U.S. Cellular will not be participating in Auction 1000 (discussed below) through a limited partnership that is a “designated entity” which qualifies for a discount of 25% on any licenses won in the auction, as U.S. Cellular has done in prior auctions. Instead, U.S. Cellular will be participating in the auction directly and will not qualify for any discount on licenses that may be won in the auction.

FCC Auction 1000

The FCC has scheduled an auction of 600 MHz spectrum licenses, referred to as Auction 1000. Auction 1000 involves: (1) a “reverse auction” in which broadcast television licensees submit bids to voluntarily relinquish spectrum usage rights in exchange for payments; (2) a “repacking” of the broadcast television bands in order to free up certain broadcast spectrum for other uses; and (3) a “forward auction” of licenses for spectrum cleared through this process to be used for wireless communications. Interested broadcasters filed their applications by January 12, 2016 and forward auction bidders, including U.S. Cellular, filed applications prior to February 10, 2016. U.S. Cellular evaluates opportunities to acquire additional spectrum in FCC auctions and thus plans to participate in the forward auction. Auction 1000 is expected to commence with the broadcaster initial commitment deadline on March 29, 2016. Forward auction bidding is likely to begin a couple of months later, and could continue for three months or longer. The FCC anti-collusion rules place certain restrictions on public disclosures and business communications with other companies relating to U.S. Cellular’s participation until the down payment deadline for Auction 1000, which will be ten business days after release of the FCC’s Channel Reassignment Public Notice, following the end of the forward auction. These anti-collusion rules, which could last six months or more from February 10, 2016, may restrict the conduct of certain U.S. Cellular activities with other applicants in Auction 1000 as well as with nationwide providers of wireless services which are not applicants in Auction 1000. The restrictions could have an adverse effect on U.S. Cellular’s business, financial condition or results of operations.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 SAFE HARBOR CAUTIONARY STATEMENT

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Annual Report contain statements that are not based on historical facts, including the words "believes," "anticipates," "intends," "expects" and similar words. These statements constitute and represent "forward - looking statements" as this term is defined in the Private Securities Litigation Reform Act of 1995. Such forward - looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward - looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following risks:

- *Intense competition in the markets in which U.S. Cellular operates could adversely affect U.S. Cellular's revenues or increase its costs to compete.*
- *A failure by U.S. Cellular to successfully execute its business strategy (including planned acquisitions, divestitures and exchanges) or allocate resources or capital could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *Uncertainty in U.S. Cellular's future cash flow and liquidity or in the ability to access capital, deterioration in the capital markets, other changes in U.S. Cellular's performance or market conditions, changes in U.S. Cellular's credit ratings or other factors could limit or restrict the availability of financing on terms and prices acceptable to U.S. Cellular, which could require U.S. Cellular to reduce its construction, development or acquisition programs, reduce the acquisition of spectrum licenses, and/or reduce or cease share repurchases.*
- *U.S. Cellular has a significant amount of indebtedness which could adversely affect its financial performance and in turn adversely affect its ability to make payments on its indebtedness, comply with terms of debt covenants and incur additional debt.*
- *Changes in roaming practices or other factors could cause U.S. Cellular's roaming revenues to decline from current levels, roaming expenses to increase from current levels and/or impact U.S. Cellular's ability to service its customers in geographic areas where U.S. Cellular does not have its own network, which could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *A failure by U.S. Cellular to obtain access to adequate radio spectrum to meet current or anticipated future needs and/or to accurately predict future needs for radio spectrum could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *To the extent conducted by the FCC, U.S. Cellular may participate in FCC auctions of additional spectrum in the future directly or indirectly and, during certain periods, will be subject to the FCC's anti-collusion rules, which could have an adverse effect on U.S. Cellular.*
- *Changes in the regulatory environment or a failure by U.S. Cellular to timely or fully comply with any applicable regulatory requirements could adversely affect U.S. Cellular's business, financial condition or results of operations.*
- *An inability to attract people of outstanding potential, to develop their potential through education and assignments, and to retain them by keeping them engaged, challenged and properly rewarded could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *U.S. Cellular's assets are concentrated in the U.S. wireless telecommunications industry. Consequently, its operating results may fluctuate based on factors related primarily to conditions in this industry.*
- *U.S. Cellular's smaller scale relative to larger competitors that may have much greater financial and other resources than U.S. Cellular could cause U.S. Cellular to be unable to compete successfully, which could adversely affect its business, financial condition or results of operations.*
- *Changes in various business factors, including changes in demand, customer preferences and perceptions, price competition, churn from customer switching activity and other factors, could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *Advances or changes in technology could render certain technologies used by U.S. Cellular obsolete, could put U.S. Cellular at a competitive disadvantage, could reduce U.S. Cellular's revenues or could increase its costs of doing business.*
- *Complexities associated with deploying new technologies present substantial risk and U.S. Cellular investments in unproven technologies may not produce the benefits that U.S. Cellular expects.*
- *U.S. Cellular receives regulatory support and is subject to numerous surcharges and fees from federal, state and local governments, and the applicability and the amount of the support and fees are subject to great uncertainty.*

- *Performance under device purchase agreements could have a material adverse impact on U.S. Cellular's business, financial condition or results of operations.*
- *Changes in U.S. Cellular's enterprise value, changes in the market supply or demand for wireless licenses, adverse developments in the business or the industry in which U.S. Cellular is involved and/or other factors could require U.S. Cellular to recognize impairments in the carrying value of its licenses, goodwill and/or physical assets.*
- *Costs, integration problems or other factors associated with acquisitions, divestitures or exchanges of properties or licenses and/or expansion of U.S. Cellular's business could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *U.S. Cellular offers customers the option to purchase certain devices under installment contracts which, compared to fixed-term service contracts, includes risks that U.S. Cellular may possibly incur greater churn, lower cash flows, increased costs and/or increased bad debts expense due to differences in contract terms, which could have an adverse impact on U.S. Cellular's financial condition or results of operations.*
- *A failure by U.S. Cellular to complete significant network construction and systems implementation activities as part of its plans to improve the quality, coverage, capabilities and capacity of its network, support and other systems and infrastructure could have an adverse effect on its operations.*
- *Difficulties involving third parties with which U.S. Cellular does business, including changes in U.S. Cellular's relationships with or financial or operational difficulties of key suppliers or independent agents and third party national retailers who market U.S. Cellular's services, could adversely affect U.S. Cellular's business, financial condition or results of operations.*
- *U.S. Cellular has significant investments in entities that it does not control. Losses in the value of such investments could have an adverse effect on U.S. Cellular's financial condition or results of operations.*
- *A failure by U.S. Cellular to maintain flexible and capable telecommunication networks or information technology, or a material disruption thereof, could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *U.S. Cellular has experienced and, in the future, expects to experience cyber-attacks or other breaches of network or information technology security of varying degrees on a regular basis, which could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *The market price of U.S. Cellular's Common Shares is subject to fluctuations due to a variety of factors.*
- *Changes in facts or circumstances, including new or additional information, could require U.S. Cellular to record charges in excess of amounts accrued in the financial statements, which could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *Disruption in credit or other financial markets, a deterioration of U.S. or global economic conditions or other events could, among other things, impede U.S. Cellular's access to or increase the cost of financing its operating and investment activities and/or result in reduced revenues and lower operating income and cash flows, which would have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *Settlements, judgments, restraints on its current or future manner of doing business and/or legal costs resulting from pending and future litigation could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *The possible development of adverse precedent in litigation or conclusions in professional studies to the effect that radio frequency emissions from wireless devices and/or cell sites cause harmful health consequences, including cancer or tumors, or may interfere with various electronic medical devices such as pacemakers, could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *Claims of infringement of intellectual property and proprietary rights of others, primarily involving patent infringement claims, could prevent U.S. Cellular from using necessary technology to provide products or services or subject U.S. Cellular to expensive intellectual property litigation or monetary penalties, which could have an adverse effect on U.S. Cellular's business, financial condition or results of operations.*
- *There are potential conflicts of interests between TDS and U.S. Cellular.*
- *Certain matters, such as control by TDS and provisions in the U.S. Cellular Restated Certificate of Incorporation, may serve to discourage or make more difficult a change in control of U.S. Cellular.*
- *Any of the foregoing events or other events could cause revenues, earnings, capital expenditures and/or any other financial or statistical information to vary from U.S. Cellular's forward-looking estimates by a material amount.*

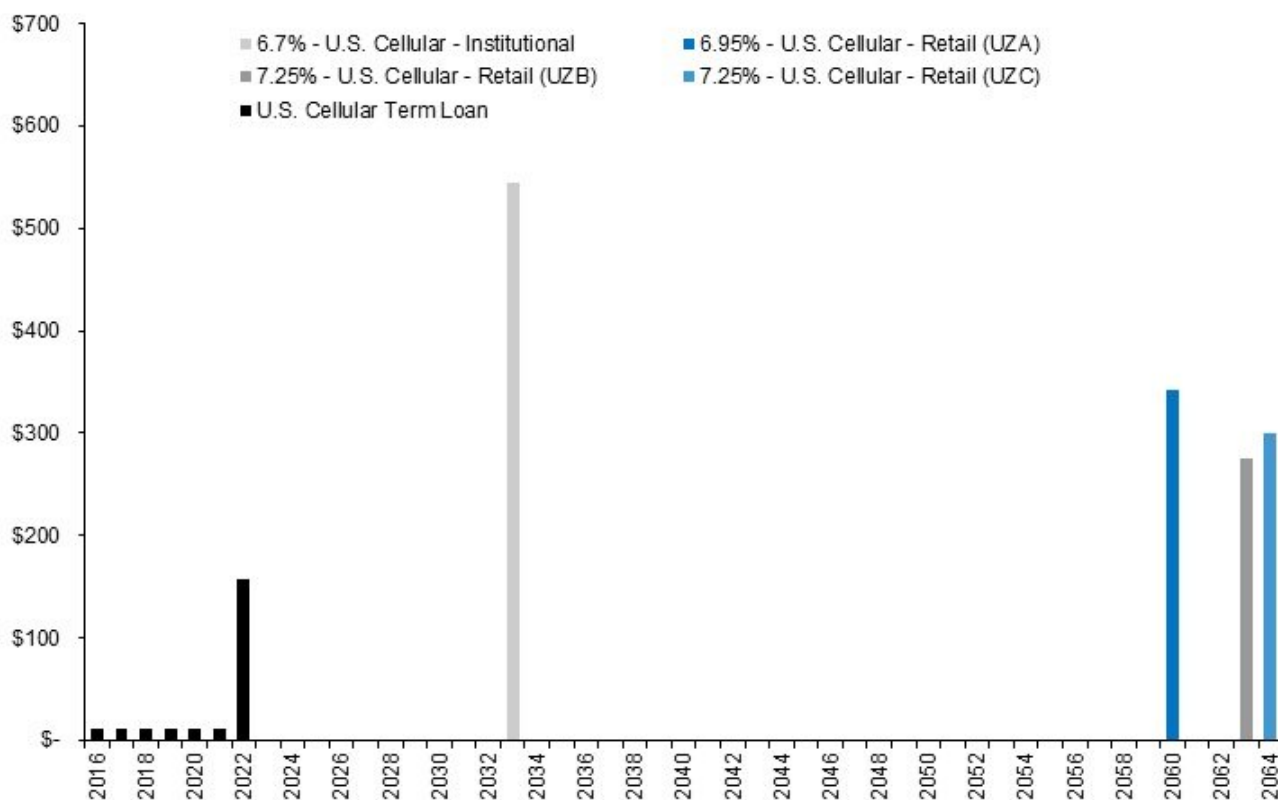
See "Risk Factors" in U.S. Cellular's Annual Report on Form 10-K for the year ended December 31, 2015 for a further discussion of these risks. U.S. Cellular undertakes no obligation to update publicly any forward - looking statements whether as a result of new information, future events or otherwise. Readers should evaluate any statements in light of these important factors.

MAR KET RISK

Long-Term Debt

As of December 31, 2015, the majority of U.S. Cellular's long-term debt was in the form of fixed-rate notes with maturities ranging up to 49 years. Fluctuations in market interest rates can lead to significant fluctuations in the fair value of these fixed-rate notes.

The following chart presents the scheduled principal payments on long-term debt by maturity dates at December 31, 2015:



The following table presents the scheduled principal payments on long-term debt and capital lease obligations, and the related weighted average interest rates by maturity dates at December 31, 2015:

	Principal Payments Due by Period		Weighted-Avg. Interest Rates on Long-Term Debt Obligations ²
	Long-Term Debt Obligations ¹		
(Dollars in millions)			
2016	\$	11.3	3.2%
2017		11.3	3.2%
2018		11.3	3.2%
2019		11.4	3.2%
2020		11.4	3.3%
After 5 years		1,631.5	6.6%
Total	\$	1,688.2	6.5%

¹ The total long-term debt obligation differs from Long-term debt in the Consolidated Balance Sheet due to unamortized debt issuance costs on all non-revolving debt instruments and the unamortized discount related to the 6.7% Senior Notes. See Note 11 — Debt in the Notes to Consolidated Financial Statements for additional information.

² Represents the weighted average interest rates at December 31, 2015 for debt maturing in the respective periods.

Fair Value of Long-Term Debt

At December 31, 2015 and 2014, the estimated fair value of long-term debt obligations, excluding capital lease obligations and the current portion of such long-term debt, was \$ 1,643.9 million and \$ 1,122.1 million, respectively. See Note 2 — Fair Value Measurements in the Notes to Consolidated Financial Statements for additional information.

Other Market Risk Sensitive Instruments

The substantial majority of U.S. Cellular's other market risk sensitive instruments (as defined in item 305 of SEC Regulation S-K) are short-term, including Cash and cash equivalents. Accordingly, U.S. Cellular believes that a significant change in interest rates would not have a material effect on such other market risk sensitive instruments.

Supplemental Information

U.S. Cellular sometimes uses information derived from consolidated financial information but not presented in its financial statements prepared in accordance with U.S. GAAP to evaluate the performance of its business. Certain of these measures are considered “non-GAAP financial measures” under U.S. Securities and Exchange Commission Rules. Specifically, U.S. Cellular has referred to the following measures in this Form 10-K Report:

- Adjusted EBITDA
- Operating Cash Flow
- Free Cash Flow
- Adjusted Free Cash Flow

Below is a reconciliation of each of these measures:

Adjusted EBITDA and Operating Cash Flow

Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and accretion), is defined as net income adjusted for the items set forth in the reconciliation. Operating cash flow is defined as net income adjusted for the items set forth in the reconciliation. Adjusted EBITDA and Operating cash flow exclude these items in order to show operating results on a more comparable basis from period to period. From time to time, U.S. Cellular may exclude other items from Adjusted EBITDA and/or Operating cash flow if such items help reflect operating results on a more comparable basis. U.S. Cellular does not intend to imply that any such items that are excluded are non-recurring, infrequent or unusual; such items may occur in the future. Adjusted EBITDA and Operating cash flow are not measures of financial performance under GAAP and should not be considered as alternatives to net income as indicators of the company's operating performance or as alternatives to cash flows from operating activities, determined in accordance with GAAP, as indicators of cash flows or as measures of liquidity. U.S. Cellular believes Adjusted EBITDA and Operating cash flow are useful measures of U.S. Cellular's operating results before significant recurring non-cash charges, gains and losses, and other items as indicated below.

	2015	2014	2013
(Dollars in thousands)			
Net income (loss) (GAAP)	\$ 247,295	\$ (46,922)	\$ 144,522
Add back:			
Income tax expense (benefit)	156,334	(11,782)	113,134
Interest expense	86,194	57,386	43,963
Depreciation, amortization and accretion	606,455	605,997	803,781
EBITDA	1,096,278	604,679	1,105,400
Add back:			
(Gain) loss on sale of business and other exit costs, net	(113,555)	(32,830)	(246,767)
(Gain) loss on license sales and exchanges	(146,884)	(112,993)	(255,479)
(Gain) loss on asset disposals, net	16,313	21,469	30,606
(Gain) loss on investments	-	-	(18,556)
Adjusted EBITDA	852,152	480,325	615,204
Deduct:			
Equity in earnings of unconsolidated entities	140,083	129,764	131,949
Interest and dividend income	36,332	12,148	3,961
Other, net	466	160	288
Operating cash flow	675,271	338,253	479,006
Deduct:			
Depreciation, amortization and accretion	606,455	605,997	803,781
(Gain) loss on sale of business and other exit costs, net	(113,555)	(32,830)	(246,767)
(Gain) loss on license sales and exchanges	(146,884)	(112,993)	(255,479)
(Gain) loss on asset disposals, net	16,313	21,469	30,606
Operating income (loss) (GAAP)	\$ 312,942	\$ (143,390)	\$ 146,865

Free Cash Flow and Adjusted Free Cash Flow

The following table presents Free cash flow and Adjusted free cash flow. Free cash flow is defined as Cash flows from operating activities less Cash used for additions to property, plant and equipment. Adjusted free cash flow is defined as Cash flows from operating activities (which includes cash outflows related to the Sprint decommissioning), as adjusted for cash proceeds from the Sprint Cost Reimbursement (which are included in Cash flows from investing activities in the Consolidated Statement of Cash Flows), less Cash used for additions to property, plant and equipment. Free cash flow and Adjusted free cash flow are non-GAAP financial measures which U.S. Cellular believes may be useful to investors and other users of its financial information in evaluating the amount of cash generated by business operations (including cash proceeds from the Sprint Cost Reimbursement), after Cash used for additions to property, plant and equipment.

	2015	2014	2013
(Dollars in thousands)			
Cash flows from operating activities	\$ 555,114	\$ 172,342	\$ 290,897
Less: Cash used for additions to property, plant and equipment	580,593	605,083	717,862
Free cash flow	\$ (25,479)	\$ (432,741)	\$ (426,965)
Add: Sprint Cost Reimbursement ¹	29,974	71,097	10,560
Adjusted free cash flow	\$ 4,495	\$ (361,644)	\$ (416,405)

¹ See Note 6 — Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements for additional information related to the Sprint Cost Reimbursement.

United States Cellular Corporation
Consolidated Statement of Operations

Year Ended December 31,	2015	2014	2013
(Dollars and shares in thousands, except per share amounts)			
Operating revenues			
Service	\$ 3,350,431	\$ 3,397,937	\$ 3,594,773
Equipment sales	646,422	494,810	324,063
Total operating revenues	<u>3,996,853</u>	<u>3,892,747</u>	<u>3,918,836</u>
Operating expenses			
System operations (excluding Depreciation, amortization and accretion reported below)	775,042	769,911	763,435
Cost of equipment sold	1,052,810	1,192,669	999,000
Selling, general and administrative (including charges from affiliates of \$96.2 million, \$91.1 million and \$99.2 million in 2015, 2014 and 2013)	1,493,730	1,591,914	1,677,395
Depreciation, amortization and accretion	606,455	605,997	803,781
(Gain) loss on asset disposals, net	16,313	21,469	30,606
(Gain) loss on sale of business and other exit costs, net	(113,555)	(32,830)	(246,767)
(Gain) loss on license sales and exchanges, net	(146,884)	(112,993)	(255,479)
Total operating expenses	<u>3,683,911</u>	<u>4,036,137</u>	<u>3,771,971</u>
Operating income (loss)	312,942	(143,390)	146,865
Investment and other income (expense)			
Equity in earnings of unconsolidated entities	140,083	129,764	131,949
Interest and dividend income	36,332	12,148	3,961
Gain (loss) on investments	-	-	18,556
Interest expense	(86,194)	(57,386)	(43,963)
Other, net	466	160	288
Total investment and other income	<u>90,687</u>	<u>84,686</u>	<u>110,791</u>
Income (loss) before income taxes	403,629	(58,704)	257,656
Income tax expense (benefit)	156,334	(11,782)	113,134
Net income (loss)	247,295	(46,922)	144,522
Less: Net income (loss) attributable to noncontrolling interests, net of tax	5,948	(4,110)	4,484
Net income (loss) attributable to U.S. Cellular shareholders	\$ 241,347	\$ (42,812)	\$ 140,038
Basic weighted average shares outstanding	84,248	84,213	83,968
Basic earnings (loss) per share attributable to U.S. Cellular shareholders	\$ 2.86	\$ (0.51)	\$ 1.67
Diluted weighted average shares outstanding	84,891	84,213	84,730
Diluted earnings (loss) per share attributable to U.S. Cellular shareholders	\$ 2.84	\$ (0.51)	\$ 1.65
Special dividend per share to U.S. Cellular shareholders	\$ -	\$ -	\$ 5.75

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

United States Cellular Corporation
Consolidated Statement of Cash Flows

Year Ended December 31,	2015	2014	2013
(Dollars in thousands)			
Cash flows from operating activities			
Net income (loss)	\$ 247,295	\$ (46,922)	\$ 144,522
Add (deduct) adjustments to reconcile net income (loss) to net cash flows from operating activities			
Depreciation, amortization and accretion	606,455	605,997	803,781
Bad debts expense	105,745	101,282	98,864
Stock-based compensation expense	24,748	22,383	15,844
Deferred income taxes, net	55,306	57,604	(75,348)
Equity in earnings of unconsolidated entities	(140,083)	(129,764)	(131,949)
Distributions from unconsolidated entities	60,041	112,336	125,660
(Gain) loss on asset disposals, net	16,313	21,469	30,606
(Gain) loss on sale of business and other exit costs, net	(113,555)	(32,830)	(246,767)
(Gain) loss on license sales and exchanges	(146,884)	(112,993)	(255,479)
(Gain) loss on investments	-	-	(18,556)
Noncash interest expense	1,621	1,155	1,059
Other operating activities	(400)	26	646
Changes in assets and liabilities from operations			
Accounts receivable	(95,730)	12,547	(291,168)
Equipment installment plans receivable	(133,734)	(188,829)	(591)
Inventory	117,764	(28,878)	(82,422)
Accounts payable	4,931	(98,177)	85,346
Customer deposits and deferred revenues	(36,612)	33,524	66,344
Accrued taxes	33,569	(99,483)	30,037
Accrued interest	4,047	1,307	273
Other assets and liabilities	(55,723)	(59,412)	(9,805)
Net cash provided by operating activities	<u>555,114</u>	<u>172,342</u>	<u>290,897</u>
Cash flows from investing activities			
Cash used for additions to property, plant and equipment	(580,593)	(605,083)	(717,862)
Cash paid for acquisitions and licenses	(285,807)	(38,150)	(16,540)
Cash received from divestitures and exchanges	316,729	179,842	811,120
Cash received for investments	-	50,000	100,000
Federal Communications Commission deposit	-	(60,000)	-
Other investing activities	1,003	2,619	(3,969)
Net cash provided by (used in) investing activities	<u>(548,668)</u>	<u>(470,772)</u>	<u>172,749</u>
Cash flows from financing activities			
Issuance of long-term debt	525,000	275,000	-
Repayment of borrowing under revolving credit facility	-	(150,000)	-
Borrowing under revolving credit facility	-	150,000	-
Common shares reissued for benefit plans, net of tax payments	2,167	830	5,784
Common shares repurchased	(6,188)	(18,943)	(18,544)
Payment of debt issuance costs	(13,005)	(9,644)	(23)
Acquisition of assets in common control transaction	(2,437)	(76,298)	-
Dividends paid	-	-	(482,270)
Distributions to noncontrolling interests	(6,369)	(3,056)	(3,766)
Payments to acquire additional interest in subsidiaries	(2,108)	-	(1,005)
Other financing activities	357	(11)	(115)
Net cash provided by (used in) financing activities	<u>497,417</u>	<u>167,878</u>	<u>(499,939)</u>
Net increase (decrease) in cash and cash equivalents	503,863	(130,552)	(36,293)
Cash and cash equivalents			
Beginning of period	211,513	342,065	378,358
End of period	<u>\$ 715,376</u>	<u>\$ 211,513</u>	<u>\$ 342,065</u>

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

United States Cellular Corporation
Consolidated Balance Sheet — Assets

December 31,	2015	2014
(Dollars in thousands)		
Current assets		
Cash and cash equivalents	\$ 715,376	\$ 211,513
Accounts receivable		
Customers and agents, less allowances of \$44,876 and \$37,654, respectively	608,202	466,048
Roaming	20,130	23,865
Affiliated	253	994
Other, less allowances of \$830 and \$859, respectively	43,634	66,051
Inventory, net	149,307	267,068
Prepaid expenses	80,794	59,744
Net deferred income tax asset	—	93,058
Other current assets	53,946	90,834
Total current assets	<u>1,671,642</u>	<u>1,279,175</u>
Assets held for sale	—	107,055
Licenses	1,834,212	1,443,438
Goodwill	369,596	370,151
Investments in unconsolidated entities	363,383	283,014
Property, plant and equipment		
In service and under construction	7,668,736	7,458,740
Less: Accumulated depreciation	5,019,803	4,730,523
Property, plant and equipment, net	<u>2,648,933</u>	<u>2,728,217</u>
Other assets and deferred charges	<u>172,212</u>	<u>251,259</u>
Total assets	<u>\$ 7,059,978</u>	<u>\$ 6,462,309</u>

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

United States Cellular Corporation
Consolidated Balance Sheet — Liabilities and Equity

December 31,	2015	2014
(Dollars and shares in thousands)		
Current liabilities		
Current portion of long-term debt	\$ 11,313	\$ 46
Accounts payable		
Affiliated	10,170	9,774
Trade	274,807	306,845
Customer deposits and deferred revenues	250,983	287,562
Accrued taxes	28,448	36,652
Accrued compensation	67,770	66,162
Other current liabilities	104,447	149,853
Total current liabilities	<u>747,938</u>	<u>856,894</u>
Liabilities held for sale	-	20,934
Deferred liabilities and credits		
Net deferred income tax liability	820,731	859,867
Other deferred liabilities and credits	290,949	284,002
Long-term debt, net	1,628,507	1,126,860
Commitments and contingencies	-	-
Noncontrolling interests with redemption features	1,097	1,150
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 84,359 shares (33,006 Series A Common and 51,353 Common Shares) and 84,080 shares (33,006 Series A Common and 51,074 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	1,496,453	1,472,558
Treasury shares, at cost, 3,715 and 3,994 Common Shares, respectively	(156,535)	(169,139)
Retained earnings	2,132,521	1,910,498
Total U.S. Cellular shareholders' equity	<u>3,560,513</u>	<u>3,301,991</u>
Noncontrolling interests	10,243	10,611
Total equity	<u>3,570,756</u>	<u>3,312,602</u>
Total liabilities and equity	<u>\$ 7,059,978</u>	<u>\$ 6,462,309</u>

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

United States Cellular Corporation Consolidated Statement of Changes in Equity

U.S. Cellular Shareholders							
	Series A Common and Common shares	Additional paid-in capital	Treasury shares	Retained earnings	Total U.S. Cellular shareholders' equity	Noncontrolling interests	Total equity
(Dollars in thousands)							
December 31, 2014	\$ 88,074	\$ 1,472,558	\$ (169,139)	\$ 1,910,498	\$ 3,301,991	\$ 10,611	\$ 3,312,602
Add (Deduct)							
Net income attributable to U.S. Cellular shareholders	-	-	-	241,347	241,347	-	241,347
Net income attributable to noncontrolling interests classified as equity	-	-	-	-	-	340	340
Repurchase of Common Shares	-	-	(6,188)	-	(6,188)	-	(6,188)
Incentive and compensation plans	-	186	18,792	(16,887)	2,091	-	2,091
Stock-based compensation awards	-	23,843	-	-	23,843	-	23,843
Tax windfall (shortfall) from stock awards	-	(1,014)	-	-	(1,014)	-	(1,014)
Distributions to noncontrolling interests	-	-	-	-	-	(708)	(708)
Acquisition of assets in common control transaction	-	885	-	(2,437)	(1,552)	-	(1,552)
Adjust investment in subsidiaries for noncontrolling interest purchases	-	(5)	-	-	(5)	-	(5)
December 31, 2015	<u>\$ 88,074</u>	<u>\$ 1,496,453</u>	<u>\$ (156,535)</u>	<u>\$ 2,132,521</u>	<u>\$ 3,560,513</u>	<u>\$ 10,243</u>	<u>\$ 3,570,756</u>

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

United States Cellular Corporation Consolidated Statement of Changes in Equity

	U.S. Cellular Shareholders						
	Series A Common and Common shares	Additional paid-in capital	Treasury shares	Retained earnings	Total U.S. Cellular shareholders' equity	Noncontrolling interests	Total equity
<small>(Dollars in thousands)</small>							
December 31, 2013	\$ 88,074	\$ 1,424,729	\$ (164,692)	\$ 2,043,095	\$ 3,391,206	\$ 18,391	\$ 3,409,597
Add (Deduct)							
Net loss attributable to U.S. Cellular shareholders	-	-	-	(42,812)	(42,812)	-	(42,812)
Net loss attributable to noncontrolling interests classified as equity	-	-	-	-	-	(4,787)	(4,787)
Repurchase of Common Shares	-	-	(18,943)	-	(18,943)	-	(18,943)
Incentive and compensation plans	-	-	14,496	(13,518)	978	-	978
Stock-based compensation awards	-	21,078	-	-	21,078	-	21,078
Tax windfall (shortfall) from stock awards	-	(1,161)	-	-	(1,161)	-	(1,161)
Distributions to noncontrolling interests	-	-	-	-	-	(2,993)	(2,993)
Acquisition of assets in common control transaction	-	29,141	-	(76,267)	(47,126)	-	(47,126)
Adjust investment in subsidiaries for noncontrolling interest purchases	-	(1,229)	-	-	(1,229)	-	(1,229)
December 31, 2014	<u>\$ 88,074</u>	<u>\$ 1,472,558</u>	<u>\$ (169,139)</u>	<u>\$ 1,910,498</u>	<u>\$ 3,301,991</u>	<u>\$ 10,611</u>	<u>\$ 3,312,602</u>

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

United States Cellular Corporation Consolidated Statement of Changes in Equity

	U.S. Cellular Shareholders						
	Series A Common and Common shares	Additional paid-in capital	Treasury shares	Retained earnings	Total U.S. Cellular shareholders' equity	Noncontrolling interests	Total equity
(Dollars in thousands)							
December 31, 2012	\$ 88,074	\$ 1,412,453	\$ (165,724)	\$ 2,399,052	\$ 3,733,855	\$ 61,392	\$ 3,795,247
Add (Deduct)							
Net income attributable to U.S. Cellular shareholders	-	-	-	140,038	140,038	-	140,038
Net income attributable to noncontrolling interests classified as equity	-	-	-	-	-	4,251	4,251
Common and Series A Common Shares dividends	-	-	-	(482,270)	(482,270)	-	(482,270)
Repurchase of Common Shares	-	-	(18,544)	-	(18,544)	-	(18,544)
Incentive and compensation plans	-	222	19,576	(13,725)	6,073	-	6,073
Stock-based compensation awards	-	15,467	-	-	15,467	-	15,467
Tax windfall (shortfall) from stock awards	-	(3,267)	-	-	(3,267)	-	(3,267)
Distributions to noncontrolling interests	-	-	-	-	-	(3,576)	(3,576)
Adjust investment in subsidiaries for noncontrolling interest purchases	-	(146)	-	-	(146)	94	(52)
Deconsolidation of partnerships	-	-	-	-	-	(43,770)	(43,770)
December 31, 2013	\$ 88,074	\$ 1,424,729	\$ (164,692)	\$ 2,043,095	\$ 3,391,206	\$ 18,391	\$ 3,409,597

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

United States Cellular Corporation
Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies and Recent Accounting Pronouncements

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

Nature of Operations

U.S. Cellular owns, operates and invests in wireless systems throughout the United States. As of December 31, 2015, U.S. Cellular served 4.9 million customers. U.S. Cellular has one reportable segment.

Principles of Consolidation

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”). Unless otherwise specified, references to accounting provisions and GAAP in these notes refer to the requirements of the FASB 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 variable interest entities (“VIEs”) in which U.S. Cellular is the primary beneficiary. Both VIE and primary beneficiary represent terms defined by GAAP.

Intercompany accounts and transactions have been eliminated.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2015 financial statement presentation. In the fourth quarter of 2015, U.S. Cellular adopted, on a retrospective basis, Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). See discussion of ASU 2015-03 below under Debt Issuance Costs.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (a) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and (b) the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates are involved in accounting for goodwill and indefinite-lived intangible assets, income taxes and equipment installment plans.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of amounts owed by customers for wireless services and equipment sales, including sales of certain devices under equipment installment plans through its owned and agent distribution channels, by agents for sales of equipment to them and by other wireless carriers whose customers have used U.S. Cellular’s wireless systems.

The allowance for doubtful accounts is the best estimate of the amount of probable credit losses related to existing billed and unbilled accounts receivable. The allowance is estimated based on historical experience, account aging and other factors that could affect collectability. Accounts receivable balances are reviewed on either an aggregate or individual basis for collectability depending on the type of receivable. When it is probable that an account balance will not be collected, the account balance is charged against the allowance for doubtful accounts. U.S. Cellular does not have any off-balance sheet credit exposure related to its customers.

The changes in the allowance for doubtful accounts during 2015, 2014 and 2013 were as follows:

	2015	2014	2013
(Dollars in thousands)			
Balance at beginning of year	\$ 44,578	\$ 60,238	\$ 26,902
Additions, net of recoveries	105,745	101,282	98,864
Deductions	(99,080)	(116,942)	(65,528)
Balance at end of year ¹	\$ 51,243	\$ 44,578	\$ 60,238

¹ In 2015 and 2014, balance includes an allowance of \$5.5 million and \$6.1 million, respectively, related to the long-term portion of unbilled equipment installment plan receivables.

Inventory

Inventory consists primarily of wireless devices stated at the lower of cost or market, with cost determined using the first-in, first-out method and market determined by replacement cost or estimated net realizable value.

Licenses

Licenses consist of direct and incremental costs incurred in acquiring Federal Communications Commission ("FCC") licenses to provide wireless service.

U.S. Cellular has determined that wireless licenses are indefinite-lived intangible assets and, therefore, not subject to amortization based on the following factors:

- Radio spectrum is not a depleting asset.
- The ability to use radio spectrum is not limited to any one technology.
- U.S. Cellular and its consolidated subsidiaries are licensed to use radio spectrum through the FCC licensing process, which enables licensees to utilize specified portions of the spectrum for the provision of wireless service.
- U.S. Cellular and its consolidated subsidiaries are required to renew their FCC licenses every ten years or, in some cases, every fifteen years. To date, all of U.S. Cellular's license renewal applications have been granted by the FCC. Generally, license renewal applications filed by licensees otherwise in compliance with FCC regulations are routinely granted. If, however, a license renewal application is challenged either by a competing applicant for the license or by a petition to deny the renewal application, the license will be renewed if the licensee can demonstrate its entitlement to a "renewal expectancy." Licensees are entitled to such an expectancy if they can demonstrate to the FCC that they have provided "substantial service" during their license term and have "substantially complied" with FCC rules and policies. U.S. Cellular believes that it is probable that its future license renewal applications will be granted.

U.S. Cellular performs its annual impairment assessment of Licenses as of November 1 of each year or more frequently if there are events or circumstances that cause U.S. Cellular to believe the carrying value of Licenses exceeds their fair value on a more likely than not basis. Prior to the fourth quarter of 2015, U.S. Cellular separated its FCC licenses into eleven units of accounting based on geographic service areas. The eleven units of accounting consisted of four geographic units of accounting for developed operating market licenses ("built licenses") and seven geographic non-operating market licenses ("unbuilt licenses"). As part of the current year annual impairment evaluation, U.S. Cellular evaluated the aggregation criteria based on how such licenses are deployed and provide value in U.S. Cellular's operations, and current industry and market factors. It was determined the built licenses should be aggregated into one unit of accounting. The unbuilt licenses continued to be separated into seven geographic units of accounting.

As of November 1, 2015, U.S. Cellular performed a qualitative impairment assessment to determine whether it is more likely than not that the fair value of the built and unbuilt licenses exceed their carrying value. In 2014, U.S. Cellular estimated the fair value of built licenses for purposes of impairment testing using the build-out method. The build-out method estimates the fair value of Licenses by discounting to present value the future cash flows calculated based on a hypothetical cost to build-out U.S. Cellular's network. For units of accounting which consist of unbuilt licenses, the fair value of the unbuilt licenses is assumed to change by the same percentage, and in the same direction, that the fair value of built licenses measured using the build-out method changed during the period. Based on the impairment assessments performed, U.S. Cellular did not have an impairment of its Licenses in 2015 or 2014.

See Note 7 — Intangible Assets for additional details related to Licenses.

Goodwill

U.S. Cellular has Goodwill as a result of its acquisitions of wireless businesses. Such Goodwill represents the excess of the total purchase price over the fair value of net assets acquired in these transactions.

For purposes of conducting its annual Goodwill impairment test as of November 1, 2015, U.S. Cellular identified one reporting unit. In 2014, U.S. Cellular identified four reporting units based on four geographic groupings of operating markets, representing four geographic service areas. Due to the evolution of the business and the extent to which U.S. Cellular has similar customers, products and services, and operations across all geographic regions, and also operates one interdependent network, U.S. Cellular determined it had one reporting unit as of November 1, 2015. The change in reporting units required U.S. Cellular to perform an impairment test for both the previous four reporting units and one new reporting unit as of November 1, 2015. A discounted cash flow approach was used to value each reporting unit for purposes of the Goodwill impairment review. Based upon the impairment assessments performed, U.S. Cellular did not have an impairment of its Goodwill in 2015 or 2014.

See Note 7 — Intangible Assets for additional details related to Goodwill.

Investments in Unconsolidated Entities

For its equity method investments for which financial information is readily available, U.S. Cellular records its equity in the earnings of the entity in the current period. For its equity method investments for which financial information is not readily available, U.S. Cellular records its equity in the earnings of the entity on a one quarter lag basis.

Property, Plant and Equipment

U.S. Cellular's Property, plant and equipment is stated at the original cost of construction or purchase including capitalized costs of certain taxes, payroll-related expenses, interest and estimated costs to remove the assets.

Expenditures that enhance the productive capacity of assets in service or extend their useful lives are capitalized and depreciated. Expenditures for maintenance and repairs of assets in service are charged to System operations expense or Selling, general and administrative expense, as applicable. Retirements and disposals of assets are recorded by removing the original cost of the asset (along with the related accumulated depreciation) from plant in service and charging it, together with net removal costs (removal costs less an applicable accrued asset retirement obligation and salvage value realized), to (Gain) loss on asset disposals, net.

U.S. Cellular capitalizes certain costs of developing new information systems.

Depreciation and Amortization

Depreciation is provided using the straight-line method over the estimated useful life of the related asset.

U.S. Cellular depreciates leasehold improvement assets associated with leased properties over periods ranging from one to thirty years; such periods approximate the shorter of the assets' economic lives or the specific lease terms.

Useful lives of specific assets are reviewed throughout the year to determine if changes in technology or other business changes would warrant accelerating the depreciation of those specific assets. Due to the Divestiture Transaction more fully described in Note 6 — Acquisitions, Divestitures and Exchanges, U.S. Cellular changed the useful lives of certain assets in 2013. Other than the Divestiture Transaction, there were no material changes to useful lives of property, plant and equipment in 2015, 2014 or 2013. See Note 9 — Property, Plant and Equipment for additional details related to useful lives.

Impairment of Long-Lived Assets

U.S. Cellular reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the assets might be impaired.

U.S. Cellular has one asset group for purposes of assessing property, plant and equipment for impairment based on the fact that the individual operating markets are reliant on centrally operated data centers, mobile telephone switching offices and a network operations center. U.S. Cellular operates a single integrated national wireless network, and the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities represent cash flows generated by this single interdependent network.

Agent Liabilities

U.S. Cellular has relationships with agents, which are independent businesses that obtain customers for U.S. Cellular. At December 31, 2015 and 2014, U.S. Cellular had accrued \$ 75.7 million and \$ 95.3 million, respectively, for amounts due to agents. These amounts are included in Other current liabilities in the Consolidated Balance Sheet.

Debt Issuance Costs

Debt issuance costs include underwriters' and legal fees and other charges related to issuing various borrowing instruments and other long-term agreements, and are amortized over the respective term of each instrument. U.S. Cellular early adopted ASU 2015-03 using the retrospective method as of December 31, 2015. ASU 2015-03 requires certain debt issuance costs to be presented in the balance sheet as an offset to the related debt obligation. Debt issuance costs related to U.S. Cellular's revolving credit facility are excluded from the scope of ASU 2015-03 and are recorded in Other assets and deferred charges in the Consolidated Balance Sheet. As a result of the retrospective adoption, U.S. Cellular reclassified unamortized debt issuance costs of \$ 25.0 million as of December 31, 2014 from Other assets and deferred charges to Long-term debt, net in the Consolidated Balance Sheet. Other than this reclassification, the adoption of ASU 2015-03 did not have an impact on U.S. Cellular's consolidated financial statements.

Asset Retirement Obligations

U.S. Cellular accounts for asset retirement obligations by recording the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. At the time the liability is incurred, U.S. Cellular records a liability equal to the net present value of the estimated cost of the asset retirement obligation and increases the carrying amount of the related long-lived asset by an equal amount. Until the obligation is fulfilled, U.S. Cellular updates its estimates relating to cash flows required and timing of settlement. U.S. Cellular records the present value of the changes in the future value as an increase or decrease to the liability and the related carrying amount of the long-lived asset. The liability is accreted to future value over a period ending with the estimated settlement date of the respective asset retirement obligation. The carrying amount of the long-lived asset is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to retire the asset and the recorded liability is recognized in the Consolidated Statement of Operations.

Treasury Shares

Common Shares repurchased by U.S. Cellular are recorded at cost as treasury shares and result in a reduction of equity. When treasury shares are reissued, U.S. Cellular determines the cost using the first-in, first-out cost method. The difference between the cost of the treasury shares and reissuance price is included in Additional paid-in capital or Retained earnings.

Revenue Recognition

Revenues related to services are recognized as services are rendered. Revenues billed in advance or in arrears of the services being provided are estimated and deferred or accrued, as appropriate.

Revenues from sales of equipment and accessories are recognized when U.S. Cellular no longer has any requirements to perform, when title has passed and when the products are accepted by the customer.

Multiple Deliverable Arrangements

U.S. Cellular sells multiple element service and equipment offerings. In these instances, revenues are allocated using the relative selling price method. Under this method, arrangement consideration is allocated to each element on the basis of its relative selling price. Revenue recognized for the delivered items is limited to the amount due from the customer that is not contingent upon the delivery of additional products or services.

Loyalty Reward Program

In March 2015, U.S. Cellular announced that it would discontinue its loyalty reward program effective September 1, 2015. All unredeemed reward points expired at that time and the deferred revenue balance of \$ 58.2 million related to such expired points was recognized as service revenues. At December 31, 2014, U.S. Cellular had deferred revenue related to loyalty reward points outstanding of \$ 94.6 million.

U.S. Cellular followed the deferred revenue method of accounting for its loyalty reward program. Under this method, revenue allocated to loyalty reward points was deferred. The amount allocated to the loyalty points was based on the estimated retail price of the products and services for which points may be redeemed divided by the number of loyalty points required to receive such products and services. This was calculated on a weighted average basis and required U.S. Cellular to estimate the percentage of loyalty points that would be redeemed for each product or service.

Revenue was recognized at the time of customer redemption or when such points were depleted via an account maintenance charge. U.S. Cellular employed the proportional model to recognize revenues associated with breakage. Under the proportional model, U.S. Cellular allocated a portion of the estimated future breakage to each redemption and recorded revenue proportionally.

In the fourth quarter of 2013, U.S. Cellular issued loyalty reward points with a value of \$ 43.5 million as a loyalty bonus in recognition of the inconvenience experienced by customers during U.S. Cellular's billing system conversion in 2013. The value of the loyalty bonus reduced Service revenues in the Consolidated Statement of Operations in 2013.

Equipment Installment Plans

Equipment revenue under equipment installment plan contracts is recognized at the time the device is delivered to the end-user customer for the selling price of the device, net of any deferred imputed interest or trade-in right, if applicable. Imputed interest is reflected as a reduction to the receivable balance and recognized over the duration of the plan as a component of Interest and dividend income. See Note 3 — Equipment Installment Plans for additional information.

Incentives

Discounts and incentives that are deemed cash are recognized as a reduction of Operating revenues concurrently with the associated revenue.

U.S. Cellular issues rebates to its agents and end customers. These incentives are recognized as a reduction to revenue at the time the wireless device sale to the customer occurs. The total potential rebates and incentives are reduced by U.S. Cellular's estimate of rebates that will not be redeemed by customers based on historical experience of such redemptions.

Activation Fees

U.S. Cellular charges its end customers activation fees in connection with the sale of certain services and equipment. Device activation fees charged at agent locations in connection with subsidized device sales are deferred and recognized over a period that corresponds with the length of the customer's service contract. Device activation fees charged at U.S. Cellular company-owned retail stores in connection with subsidized device sales are recognized at the time the device is delivered to the customer. Device activation fees charged at both agent locations and U.S. Cellular company-owned retail stores in connection with equipment installment plan device transactions are deferred and recognized over a period that corresponds with the equipment upgrade eligibility date based on the contract terms.

Amounts Collected from Customers and Remitted to Governmental Authorities – Gross vs. Net

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 \$ 77.2 million, \$ 97.0 million and \$ 114.7 million for 2015 , 2014 and 2013 , respectively.

Eligible Telecommunications Carrier (“ETC”) Revenues

Telecommunications companies may be designated by states, or in some cases by the FCC, as an ETC to receive support payments from the Universal Service Fund if they provide specified services in “high cost” areas. ETC revenues recognized in the reporting period represent the amounts which U.S. Cellular is entitled to receive for such period, as determined and approved in connection with U.S. Cellular's designation as an ETC in various states.

Advertising Costs

U.S. Cellular expenses advertising costs as incurred. Advertising costs totaled \$ 231.5 million, \$ 204.9 million and \$ 199.9 million in 2015 , 2014 and 2013 , respectively.

Income Taxes

U.S. Cellular is included in a consolidated federal income tax return with other members of the TDS consolidated group. For financial statement purposes, U.S. Cellular and its subsidiaries calculate their income, income taxes and credits as if they comprised a separate affiliated group. Under a tax allocation agreement between TDS and U.S. Cellular, U.S. Cellular remits its applicable income tax payments to TDS. U.S. Cellular had a tax receivable balance with TDS of \$ 33.1 million and \$ 74.3 million as of December 31, 2015 and 2014 , respectively.

Deferred taxes are computed using the liability method, whereby deferred tax assets are recognized for future deductible temporary differences and operating loss carryforwards, and deferred tax liabilities are recognized for future taxable temporary differences. Both deferred tax assets and liabilities are measured using the tax rates anticipated to be in effect when the temporary differences reverse. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. U.S. Cellular evaluates income tax uncertainties, assesses the probability of the ultimate settlement with the applicable taxing authority and records an amount based on that assessment.

In November 2015, the FASB issued Accounting Standards Update 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes* (“ASU 2015-17”), requiring all deferred tax assets and liabilities, and any related valuation allowance, to be classified as non-current on the balance sheet. The classification change for all deferred taxes as non-current simplifies entities' processes as it eliminates the need to separately identify the net current and net non-current deferred tax asset or liability in each jurisdiction and allocate valuation allowances . U.S. Cellular is required to adopt ASU 2015-17 on January 1, 2017. Early adoption is permitted. U.S. Cellular early adopted this standard using the prospective method as of December 31, 2015. No prior period amounts were adjusted.

Stock-Based Compensation and Other Plans

U.S. Cellular has established a long-term incentive plan and a non-employee director compensation plan. These plans are described more fully in Note 16 — Stock-Based Compensation . These plans are considered compensatory plans and, therefore, recognition of compensation cost for grants made under these plans is required.

U.S. Cellular values its share-based payment transactions using a Black-Scholes valuation model. Stock-based compensation cost recognized during the period is based on the portion of the share-based payment awards that are ultimately expected to vest. Accordingly, stock-based compensation cost recognized has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Pre-vesting forfeitures and expected life are estimated based on historical experience related to similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. U.S. Cellular believes that its historical experience provides the best estimates of future pre-vesting forfeitures and future expected life. The expected volatility assumption is based on the historical volatility of U.S. Cellular's common stock over a period commensurate with the expected life. The dividend yield assumption is zero because U.S. Cellular has never paid a dividend, except a special cash dividend in June 2013, and has expressed its intention to retain all future earnings in the business. The risk-free interest rate assumption is determined using the U.S. Treasury Yield Curve Rate with a term length that approximates the expected life of the stock options.

Stock option awards vest on an annual basis in three separate tranches. Compensation cost is recognized using a graded attribution method over the requisite service period, which is generally the vesting period. Restricted stock units cliff vest in three years. Therefore, compensation cost for restricted stock units is recognized on a straight-line basis over the requisite service period, which is generally the vesting period.

Defined Contribution Plans

U.S. Cellular participates in a qualified noncontributory defined contribution pension plan sponsored by TDS; such plan provides pension benefits for the employees of U.S. Cellular and its subsidiaries. Under this plan, pension benefits and costs are calculated separately for each participant and are funded currently. Pension costs were \$ 10.9 million, \$ 10.6 million and \$ 10.4 million in 2015, 2014 and 2013, respectively.

U.S. Cellular also participates in a defined contribution retirement savings plan ("401(k) plan") sponsored by TDS. Total costs incurred for U.S. Cellular's contributions to the 401(k) plan were \$ 15.3 million, \$ 14.9 million and \$ 15.4 million in 2015, 2014 and 2013, respectively.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. In August 2015, the FASB issued Accounting Standards Update 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, requiring the adoption of ASU 2014-09 on January 1, 2018. Early adoption as of January 1, 2017 is permitted; however, U.S. Cellular does not intend to adopt early. U.S. Cellular is evaluating the effects that adoption of ASU 2014-09 will have on its financial position, results of operations and disclosures.

In August 2014, the FASB issued Accounting Standards Update 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 requires U.S. Cellular to assess its ability to continue as a going concern each interim and annual reporting period and provide certain disclosures if there is substantial doubt about the entity's ability to continue as a going concern, including management's plan to alleviate the substantial doubt. U.S. Cellular is required to adopt the provisions of ASU 2014-15 for the annual period ending December 31, 2016, but early adoption is permitted. The adoption of ASU 2014-15 will not impact U.S. Cellular's financial position or results of operations but may impact future disclosures.

In February 2015, the FASB issued Accounting Standards Update 2015-02, *Consolidation: Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 simplifies consolidation accounting by reducing the number of consolidation models. Additionally, ASU 2015-02 changes certain criteria for identifying variable interest entities. U.S. Cellular adopted the provisions of this standard as of January 1, 2016. U.S. Cellular expects that certain consolidated subsidiaries that are not defined as variable interest entities under current accounting guidance will be defined as variable interest entities under the provisions of ASU 2015-02. However, U.S. Cellular's adoption of ASU 2015-02 will not change the group of entities which U.S. Cellular is required to consolidate in its financial statements. Accordingly, the adoption of ASU 2015-02 will not impact its financial position or results of operations.

In July 2015, the FASB issued Accounting Standards Update 2015-11, *Inventory: Simplifying the Measurement of Inventory* ("ASU 2015-11"), which requires inventory to be measured at the lower of cost or net realizable value. U.S. Cellular is required to adopt ASU 2015-11 on January 1, 2017. Early adoption is permitted. U.S. Cellular is evaluating the effects that adoption of ASU 2015-11 will have on its financial position and results of operations.

In September 2015, the FASB issued Accounting Standards Update 2015-16, *Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"). ASU 2015-16 simplifies how adjustments are made to provisional amounts recognized in a business combination during the measurement period. U.S. Cellular adopted ASU 2015-16 on January 1, 2016. There will be no immediate impacts to U.S. Cellular's financial position, results of operations, and disclosures.

In January 2016, the FASB issued Accounting Standards Update 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). This ASU introduces changes to current accounting for equity investments and financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. U.S. Cellular is required to adopt ASU 2016-01 on January 1, 2018. Certain provisions are eligible for early adoption. U.S. Cellular is evaluating the effects that adoption of ASU 2016-01 will have on its financial position and results of operations.

Note 2 Fair Value Measurements

As of December 31, 2015 and 2014, U.S. Cellular did not have any financial or nonfinancial assets or liabilities that were required to be recorded at fair value in its Consolidated Balance Sheet in accordance with GAAP.

The provisions of GAAP establish a fair value hierarchy that contains three levels for inputs used in fair value measurements. Level 1 inputs include quoted market prices for identical assets or liabilities in active markets. Level 2 inputs include quoted market prices for similar assets and liabilities in active markets or quoted market prices for identical assets and liabilities in inactive markets. Level 3 inputs are unobservable. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. A financial instrument's level within the fair value hierarchy is not representative of its expected performance or its overall risk profile and, therefore, Level 3 assets are not necessarily higher risk than Level 2 assets or Level 1 assets.

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.

	Level within the Fair Value Hierarchy	December 31, 2015		December 31, 2014	
		Book Value	Fair Value	Book Value	Fair Value
(Dollars in thousands)					
Cash and cash equivalents	1	\$ 715,376	\$ 715,376	\$ 211,513	\$ 211,513
Long-term debt					
Retail	2	917,000	928,643	617,000	608,462
Institutional	2	533,015	501,461	532,722	513,647
Other	2	213,750	213,750	—	—

The fair value of Cash and cash equivalents approximates the book value due to the short-term nature of these financial instruments. Long-term debt excludes capital lease obligations and the current portion of Long-term debt. The fair value of "Retail" Long-term debt was estimated using market prices for the 6.95% Senior Notes, 7.25% 2063 Senior Notes and 7.25% 2064 Senior Notes. U.S. Cellular's "Institutional" debt consists of the 6.7% Senior Notes which are traded over the counter. U.S. Cellular's "Other" debt consists of a senior term loan credit facility. U.S. Cellular estimated the fair value of its Institutional and Other debt through a discounted cash flow analysis using the interest rates or estimated yield to maturity for each borrowing, which ranged from 3.19% to 7.51% at December 31, 2015. An estimated yield to maturity of 7.25% was used to estimate fair value of Institutional debt at December 31, 2014.

Note 3 Equipment Installment Plans

U.S. Cellular offers customers, through its owned and agent distribution channels, the option to purchase certain devices under equipment installment contracts over a specified time period. For certain equipment installment plans ("EIP"), after a specified period of time or amount of payments, the customer may have the right to upgrade to a new device and have the remaining unpaid equipment installment contract balance waived, subject to certain conditions, including trading in the original device in good working condition and signing a new equipment installment contract. U.S. Cellular values this trade-in right as a guarantee liability. The guarantee liability is initially measured at fair value and is determined based on assumptions including the probability and timing of the customer upgrading to a new device and the fair value of the device being traded-in at the time of trade-in. As of December 31, 2015 and 2014, the guarantee liability related to these plans was \$ 92.7 million and \$ 57.5 million, respectively, and is reflected in Customer deposits and deferred revenues in the Consolidated Balance Sheet.

U.S. Cellular equipment installment plans do not provide for explicit interest charges. For equipment installment plans with duration of greater than twelve months, U.S. Cellular imputes interest. Equipment installment plan receivables had a weighted average effective imputed interest rate of 9.7% and 10.2% as of December 31, 2015 and 2014, respectively.

The following table summarizes the unbilled equipment installment plan receivables as of December 31, 2015 and 2014. Such amounts are presented in the Consolidated Balance Sheet as Accounts receivable – customers and agents and Other assets and deferred charges, where applicable.

December 31,	2015	2014
(Dollars in thousands)		
Short-term portion of unbilled equipment installment plan receivables, gross	\$ 278,709	\$ 127,400
Short-term portion of unbilled deferred interest	(20,810)	(16,365)
Short-term portion of unbilled allowance for credit losses	(13,827)	(3,686)
Short-term portion of unbilled equipment installment plan receivables, net	<u>\$ 244,072</u>	<u>\$ 107,349</u>
Long-term portion of unbilled equipment installment plan receivables, gross	\$ 75,738	\$ 89,435
Long-term portion of unbilled deferred interest	(2,283)	(2,791)
Long-term portion of unbilled allowance for credit losses	(5,537)	(6,065)
Long-term portion of unbilled equipment installment plan receivables, net	<u>\$ 67,918</u>	<u>\$ 80,579</u>

U.S. Cellular assesses the collectability of the equipment installment plan receivables based on historical payment experience, account aging and other qualitative factors and provides an allowance for estimated losses. The credit profiles of U.S. Cellular's customers on equipment installment plans are similar to those of U.S. Cellular customers with traditional subsidized plans. Customers with a higher risk credit profile are required to make a deposit for equipment purchased through an installment contract.

U.S. Cellular recorded out-of-period adjustments in 2015 due to errors related to equipment installment plan transactions that were attributable to 2014. U.S. Cellular has determined that these adjustments were not material to prior annual periods, and also were not material to the current year results. These equipment installment plan adjustments had the impact of reducing Equipment sales revenues by \$ 6.2 million and Income before income taxes by \$ 5.8 million in 2015.

Note 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 current income taxes balances at December 31, 2015 and 2014 were as follows:

December 31,	2015	2014
(Dollars in thousands)		
Federal income taxes receivable	\$ 33,233	\$ 73,510
Net state income taxes receivable	1,072	1,199

Income tax expense (benefit) is summarized as follows:

Year Ended December 31,	2015	2014	2013
(Dollars in thousands)			
Current			
Federal	\$ 95,867	\$ (77,931)	\$ 180,056
State	5,161	8,545	8,426
Deferred			
Federal	48,164	44,881	(69,917)
State	7,142	6,276	(5,431)
State - valuation allowance adjustment	–	6,447	–
	<u>\$ 156,334</u>	<u>\$ (11,782)</u>	<u>\$ 113,134</u>

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A reconciliation of U.S. Cellular's income tax expense computed at the statutory rate to the reported income tax expense, and the statutory federal income tax expense rate to U.S. Cellular's effective income tax expense rate is as follows:

Year Ended December 31,	2015		2014		2013	
	Amount	Rate	Amount	Rate	Amount	Rate
(Dollars in thousands)						
Statutory federal income tax expense and rate	\$ 141,270	35.0 %	\$ (20,547)	35.0 %	\$ 90,180	35.0 %
State income taxes, net of federal benefit ¹	8,328	2.1	12,217	(20.8)	5,246	2.0
Effect of noncontrolling interests	2,578	0.6	(5,777)	9.8	(2,230)	(0.9)
Gains (losses) on investments and sale of assets ²	—	—	—	—	20,509	8.0
Other differences, net	4,158	1.0	2,325	(3.9)	(571)	(0.2)
Total income tax expense (benefit) and rate	\$ 156,334	38.7 %	\$ (11,782)	20.1 %	\$ 113,134	43.9 %

¹ State income taxes, net of federal benefit, include changes in unrecognized tax benefits as well as adjustments to the valuation allowance. During the third quarter of 2014 U.S. Cellular recorded a \$6.4 million increase to income tax expense related to a valuation allowance recorded against certain state deferred tax assets.

² Gains (losses) on investments and sale of assets represents 2013 tax expense related to the NY1 & NY2 Deconsolidation and the Divestiture Transaction. See Note 6 — Acquisitions, Divestitures and Exchanges and Note 8 — Investments in Unconsolidated Entities for additional information.

Significant components of U.S. Cellular's deferred income tax assets and liabilities at December 31, 2015 and 2014 were as follows:

December 31,	2015	2014
(Dollars in thousands)		
Deferred tax assets		
Current deferred tax assets	\$ —	\$ 96,886
Net operating loss ("NOL") carryforwards	78,835	72,878
Stock-based compensation	23,726	21,072
Compensation and benefits - other	19,936	2,586
Deferred rent	18,593	18,513
Other	80,007	26,116
Total deferred tax assets	221,097	238,051
Less valuation allowance	(54,915)	(53,119)
Net deferred tax assets	166,182	184,932
Deferred tax liabilities		
Property, plant and equipment	516,760	520,723
Licenses/intangibles	306,295	275,456
Partnership investments	162,296	149,371
Other	—	4,135
Total deferred tax liabilities	985,351	949,685
Net deferred income tax liability	\$ 819,169	\$ 764,753

U.S. Cellular early adopted ASU 2015-17 as of December 31, 2015 using the prospective method. The change required by the guidance, whereby all deferred taxes are classified as non-current, simplifies processes by eliminating the need to separately identify the net current and net non-current deferred tax asset or liability in each jurisdiction and allocate valuation allowances. The prior year Consolidated Balance Sheet and the deferred tax disclosure above were not revised. At December 31, 2015, \$820.7 million of net deferred income tax liability is included in Net deferred income tax liability and \$1.5 million is included in Other assets and deferred charges in the Consolidated Balance Sheet. At December 31, 2014, \$93.1 million of net current deferred income tax asset is included in Net deferred income tax asset and \$859.9 million of net noncurrent deferred income tax liability is included in Net deferred income tax liability and \$2.0 million is included in Other assets and deferred charges in the Consolidated Balance Sheet.

At December 31, 2015, U.S. Cellular and certain subsidiaries had \$ 1.6 billion of state NOL carryforwards (generating a \$ 63.9 million deferred tax asset) available to offset future taxable income. The state NOL carryforwards expire between 2016 and 2035. Certain subsidiaries had federal NOL carryforwards

(generating a \$ 15.0 million deferred tax asset) available to offset their future taxable income. The federal NOL carryforwards expire between 2018 and 2035 . A valuation allowance was established for certain state NOL carryforwards and federal NOL carryforwards since it is more likely than not that a portion of such carryforwards will expire before they can be utilized.

A summary of U.S. Cellular's deferred tax asset valuation allowance is as follows:

	2015	2014	2013
(Dollars in thousands)			
Balance at beginning of year	\$ 53,119	\$ 43,375	\$ 41,295
Charged (credited) to income tax expense	1,796	9,744	(1,527)
Charged to other accounts	-	-	3,607
Balance at end of year	<u>\$ 54,915</u>	<u>\$ 53,119</u>	<u>\$ 43,375</u>

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2015	2014	2013
(Dollars in thousands)			
Unrecognized tax benefits balance at beginning of year	\$ 36,075	\$ 28,813	\$ 26,460
Additions for tax positions of current year	7,099	7,766	5,925
Additions for tax positions of prior years	1,193	154	1,501
Reductions for tax positions of prior years	(99)	(554)	(45)
Reductions for settlements of tax positions	(273)	-	(576)
Reductions for lapses in statutes of limitations	(5,488)	(104)	(4,452)
Unrecognized tax benefits balance at end of year	<u>\$ 38,507</u>	<u>\$ 36,075</u>	<u>\$ 28,813</u>

Unrecognized tax benefits are included in Accrued taxes and Other deferred liabilities and credits in the Consolidated Balance Sheet. If these benefits were recognized, they would have reduced income tax expense in 2015, 2014 and 2013 by \$ 25.4 million, \$ 23.4 million and \$ 18.7 million, respectively, net of the federal benefit from state income taxes. As of December 31, 2015, it is reasonably possible that unrecognized tax benefits could decrease by approximately \$ 10.6 million in the next twelve months. The nature of the uncertainty relates primarily to state income tax positions and their resolution or the expiration of statutes of limitation.

U.S. Cellular recognizes accrued interest and penalties related to unrecognized tax benefits in Income tax expense (benefit). The amounts charged to income tax expense related to interest and penalties resulted in an expense of \$ 0.7 million, \$ 3.5 million and \$ 0.6 million in 2015, 2014 and 2013, respectively. Net accrued interest and penalties were \$ 16.8 million and \$ 16.2 million at December 31, 2015 and 2014, respectively.

U.S. Cellular is included in TDS' consolidated federal and certain state income tax returns. U.S. Cellular also files certain state and local income tax returns separately from TDS. With only limited exceptions, TDS is no longer subject to federal income tax audits for the years prior to 2012. With only a few exceptions, TDS is no longer subject to state income tax audits for years prior to 2011.

Note 5 Earnings Per Share

Basic earnings (loss) per share attributable to U.S. Cellular shareholders is computed by dividing Net income (loss) attributable to U.S. Cellular shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share attributable to U.S. Cellular shareholders is computed by dividing Net income (loss) 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.

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The amounts used in computing earnings (loss) per common share and the effects of potentially dilutive securities on the weighted average number of common shares were as follows:

Year ended December 31,	2015	2014	2013
(Dollars and shares in thousands, except per share amounts)			
Net income (loss) attributable to U.S. Cellular shareholders	\$ 241,347	\$ (42,812)	\$ 140,038
Weighted average number of shares used in basic earnings (loss) per share	84,248	84,213	83,968
Effect of dilutive securities:			
Stock options ¹	153	–	211
Restricted stock units ¹	490	–	551
Weighted average number of shares used in diluted earnings (loss) per share	84,891	84,213	84,730
Basic earnings (loss) per share attributable to U.S. Cellular shareholders	\$ 2.86	\$ (0.51)	\$ 1.67
Diluted earnings (loss) per share attributable to U.S. Cellular shareholders	\$ 2.84	\$ (0.51)	\$ 1.65

¹ There were no effects of dilutive securities in 2014 due to the net loss for the year.

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 (loss) per share attributable to U.S. Cellular shareholders because their effects were antidilutive. The number of such Common Shares excluded, if any, is shown in the table below.

Year Ended December 31,	2015	2014	2013
(Shares in thousands)			
Stock options	3,192	3,279	2,010
Restricted stock units	330	1,186	190

On June 25, 2013, U.S. Cellular paid a special cash dividend of \$ 5.75 per share, for an aggregate amount of \$ 482.3 million, to all holders of U.S. Cellular Common Shares and Series A Common Shares as of June 11, 2013. Outstanding U.S. Cellular stock options and restricted stock unit awards were equitably adjusted for the special cash dividend.

Note 6 Acquisitions, Divestitures and Exchanges

Divestiture Transaction

On May 16, 2013, pursuant to a Purchase and Sale Agreement, U.S. Cellular sold customers and certain PCS spectrum licenses to subsidiaries of Sprint Corp. fka Sprint Nextel Corporation (“Sprint”) in U.S. Cellular’s Chicago, central Illinois, St. Louis and certain Indiana/Michigan/Ohio markets (“Divestiture Markets”) in consideration for \$ 480 million in cash. The Purchase and Sale Agreement also contemplated certain other agreements, together with the Purchase and Sale Agreement collectively referred to as the “Divestiture Transaction.”

These agreements require Sprint to reimburse U.S. Cellular up to \$ 200 million (the “Sprint Cost Reimbursement”) for certain network decommissioning costs, network site lease rent and termination costs, network access termination costs, and employee termination benefits for specified engineering employees. As of December 31, 2015, U.S. Cellular had received a cumulative total of \$ 111.6 million pursuant to the Sprint Cost Reimbursement. Sprint Cost Reimbursement totaling \$ 30.0 million, \$ 71.1 million and \$ 10.6 million had been received and recorded in Cash received from divestitures and exchanges in the Consolidated Statement of Cash Flows in 2015, 2014, and 2013, respectively.

As a result of the Divestiture Transaction, U.S. Cellular recognized gains of \$ 6.0 million, \$ 29.3 million and \$ 248.4 million in (Gain) loss on sale of business and other exit costs, net, in 2015, 2014 and 2013, respectively.

Other Acquisitions, Divestitures and Exchanges

- In March 2015, U.S. Cellular exchanged certain of its unbuilt PCS licenses for certain other PCS licenses located in U.S. Cellular's existing operating markets and \$ 117.0 million of cash. As of the transaction date, the licenses received in the transaction had an estimated fair value, per a market approach, of \$ 43.5 million. A gain of \$ 125.2 million was recorded in (Gain) loss on license sales and exchanges, net in the Consolidated Statement of Operations in the first quarter of 2015.
- U.S. Cellular participated in Auction 97 indirectly through its limited partnership interest in Advantage Spectrum. Advantage Spectrum was the provisional winning bidder for 124 licenses for an aggregate winning bid of \$ 338.3 million, after its expected designated entity discount of 25 %. Advantage Spectrum's bid amount, less the upfront payment of \$ 60.0 million paid in 2014, was paid to the FCC in March 2015. These licenses have not yet been granted by the FCC. See Note 13 — Variable Interest Entities for additional information.

- In December 2014, U.S. Cellular entered into an agreement with a third party to sell 595 towers and certain related contracts, assets, and liabilities for \$ 159.0 million. This agreement and related transactions are referred to as the "Tower Sale" and were accomplished in two closings. The first closing occurred in December 2014 and included the sale of 236 towers, without tenants, for \$ 10.0 million. On this same date, U.S. Cellular received \$ 7.5 million in earnest money. At the time of the first closing, a \$ 3.8 million gain was recorded. The second closing for the remaining 359 towers, primarily with tenants, took place in January 2015, at which time U.S. Cellular received \$ 141.8 million in additional cash proceeds and recorded a gain of \$ 108.2 million in (Gain) loss on sale of business and other exit costs, net.
- In September 2014, U.S. Cellular entered into an agreement with a third party to exchange certain PCS and AWS licenses for certain other PCS and AWS licenses and \$ 28.0 million of cash. This license exchange was accomplished in two closings. The first closing occurred in December 2014 at which time U.S. Cellular transferred licenses to the counterparty with a net book value of \$ 11.5 million, received licenses with an estimated fair value, per a market approach, of \$ 51.5 million, recorded a \$ 21.7 million gain and recorded an \$ 18.3 million deferred credit in Other current liabilities. The license that was transferred to the counterparty in the second closing had a net book value of \$ 22.2 million. The second closing occurred in July 2015. At the time of the second closing, U.S. Cellular received \$ 28.0 million in cash and recognized the deferred credit from the first closing resulting in a total gain of \$ 24.0 million recorded on this part of the license exchange.
- In May 2014, U.S. Cellular entered into a License Purchase and Customer Recommendation Agreement with Airadigm Communications, Inc. ("Airadigm"), a wholly-owned subsidiary of TDS. In September 2014, pursuant to the License Purchase and Customer Recommendation Agreement, Airadigm transferred FCC spectrum licenses and certain tower assets in certain markets in Wisconsin, Iowa, Minnesota and Michigan, for \$ 91.5 million in cash to U.S. Cellular. Since both parties to this transaction are controlled by TDS, upon closing, U.S. Cellular recorded the transferred assets at Airadigm's net book value of \$ 15.2 million. The difference between the consideration paid and the net book value of the transferred assets was recorded as a reduction of U.S. Cellular's Retained earnings. In addition, a deferred tax asset was recorded for the difference between the consideration paid and the net book value of the transferred assets, which increased U.S. Cellular's Additional paid-in capital.
- In March 2014, U.S. Cellular sold the majority of its St. Louis area non-operating market spectrum license for \$ 92.3 million. A gain of \$ 75.8 million was recorded in (Gain) loss on license sales and exchanges in the Consolidated Statement of Operations in the first quarter of 2014.
- In February 2014, U.S. Cellular completed an exchange whereby U.S. Cellular received one E block PCS spectrum license covering Milwaukee, WI in exchange for one D block PCS spectrum license covering Milwaukee, WI. The exchange of licenses provided U.S. Cellular with spectrum to meet anticipated future capacity and coverage requirements. No cash, customers, network assets, other assets or liabilities were included in the exchange. As a result of this transaction, U.S. Cellular recognized a gain of \$ 15.7 million, representing the difference between the \$ 15.9 million fair value of the license surrendered, calculated using a market approach valuation method, and the \$ 0.2 million carrying value of the license surrendered. This gain was recorded in (Gain) loss on license sales and exchanges in the Consolidated Statement of Operations in the first quarter of 2014.
- In October 2013, U.S. Cellular sold the majority of its Mississippi Valley non-operating market license ("unbuilt license") for \$ 308.0 million. At the time of the sale, a \$ 250.6 million gain was recorded in (Gain) loss on license sales and exchanges in the Consolidated Statement of Operations.

U.S. Cellular did not have any assets or liabilities classified as held for sale at December 31, 2015. At December 31, 2014, the following assets and liabilities were classified in the Consolidated Balance Sheet as "Assets held for sale" and "Liabilities held for sale":

	Current Assets	Other Assets and Deferred Charges	Licenses	Goodwill	Property, Plant and Equipment	Total Assets Held for Sale
(Dollars in thousands)						
2014						
Divestiture of Spectrum Licenses	\$ -	\$ -	\$ 56,809	\$ -	\$ -	\$ 56,809
Sale of Business - Towers	1,466	773	-	16,281	31,726	50,246
Total	\$ 1,466	\$ 773	\$ 56,809	\$ 16,281	\$ 31,726	\$ 107,055

	Customer Deposits and Deferred Revenues	Current Liabilities	Other Deferred Liabilities and Credits	Total Liabilities Held for Sale
(Dollars in thousands)				
2014				
Sale of Business - Towers	\$ 2,704	\$ 896	\$ 17,334	\$ 20,934

Note 7 Intangible Assets

Changes in U.S. Cellular's Licenses and Goodwill are presented below. See Note 6 — Acquisitions, Divestitures and Exchanges for information regarding transactions which affected Licenses during the periods.

Licenses

Year Ended December 31,	2015	2014
(Dollars in thousands)		
Balance at beginning of year	\$ 1,443,438	\$ 1,401,126
Acquisitions ¹	345,807	41,707
Transferred to Assets Held for Sale	—	(56,809)
Exchanges ²	43,485	55,780
Other	1,482	1,634
Balance at end of year	\$ 1,834,212	\$ 1,443,438

¹ Amount in 2015 includes purchases totaling \$338.3 million made by Advantage Spectrum from the FCC for licenses in which it was the provisional winning bidder in Auction 97. See Note 6 — Acquisitions, Divestitures and Exchanges, and Note 13 — Variable Interest Entities for further information.

² Amount in 2015 represents licenses received in the March 2015 PCS license exchange. See Note 6 — Acquisitions, Divestitures and Exchanges for further information. Licenses disposed of in the exchange were previously removed from the Licenses balance and reflected in Assets held for sale in the Consolidated Balance Sheet as of December 31, 2014.

Goodwill

Year Ended December 31,	2015	2014
(Dollars in thousands)		
Balance at beginning of year	\$ 370,151	\$ 387,524
Divestitures	—	(1,092)
Transferred to Assets held for sale	—	(16,281)
Other	(555)	—
Balance at end of year	\$ 369,596	\$ 370,151

Note 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 as shown in the following table:

December 31,	2015	2014
(Dollars in thousands)		
Equity method investments:		
Capital contributions, loans, advances and adjustments	\$ 112,192	\$ 116,881
Cumulative share of income	1,432,145	1,287,371
Cumulative share of distributions	(1,182,890)	(1,122,849)
	361,447	281,403
Cost method investments	1,936	1,611
Total investments in unconsolidated entities	\$ 363,383	\$ 283,014

The following tables, which are based on information provided in part by third parties, summarize the combined assets, liabilities and equity, and results of operations of U.S. Cellular's equity method investments:

December 31,	2015		2014	
(Dollars in thousands)				
Assets				
Current	\$	631,764	\$	691,519
Due from affiliates		88,685		303,322
Property and other		4,555,136		2,295,936
	\$	5,275,585	\$	3,290,777
Liabilities and Equity				
Current liabilities	\$	808,126	\$	403,005
Deferred credits		237,191		170,887
Long-term liabilities		147,222		18,101
Long-term capital lease obligations		1,539		1,722
Partners' capital and shareholders' equity		4,081,507		2,697,062
	\$	5,275,585	\$	3,290,777

Year Ended December 31,	2015		2014		2013	
(Dollars in thousands)						
Results of Operations						
Revenues	\$	6,958,422	\$	6,668,615	\$	6,218,067
Operating expenses		5,226,550		5,035,544		4,473,722
Operating income		1,731,872		1,633,071		1,744,345
Other income (expense), net		(6,901)		1,160		4,842
Net income	\$	1,724,971	\$	1,634,231	\$	1,749,187

NY1 & NY2 Deconsolidation

U.S. Cellular holds a 60.00% interest in St. Lawrence Seaway RSA Cellular Partnership ("NY1") and a 57.14% interest in New York RSA 2 Cellular Partnership ("NY2") (together with NY1, the "Partnerships"). The remaining interests in the Partnerships are held by Cellco Partnership d/b/a Verizon Wireless ("Verizon Wireless"). Prior to April 3, 2013, because U.S. Cellular owned a greater than 50% interest in each of these Partnerships and based on U.S. Cellular's rights under the Partnership Agreements, U.S. Cellular consolidated the financial results of these Partnerships in accordance with GAAP.

On April 3, 2013, U.S. Cellular entered into an agreement with Verizon Wireless relating to the Partnerships. The agreement amends the Partnership Agreements in several ways which provide Verizon Wireless with substantive participating rights that allow Verizon Wireless to make decisions that are in the ordinary course of business of the Partnerships and which are significant to directing and executing the activities of the business. Accordingly, as required by GAAP, U.S. Cellular deconsolidated the Partnerships effective as of April 3, 2013 and thereafter reported them as equity method investments in its consolidated financial statements ("NY1 & NY2 Deconsolidation"). After the NY1 & NY2 Deconsolidation, U.S. Cellular retained the same ownership percentages in the Partnerships and continues to report the same percentages of income from the Partnerships. Effective April 3, 2013, U.S. Cellular's income from the Partnerships is reported in Equity in earnings of unconsolidated entities in the Consolidated Statement of Operations.

In accordance with GAAP, as a result of the NY1 & NY2 Deconsolidation, U.S. Cellular's interest in the Partnerships was reflected in Investments in unconsolidated entities at a fair value of \$114.8 million as of April 3, 2013. Recording U.S. Cellular's interest in the Partnerships required allocation of the excess of fair value over book value to customer lists, licenses, a favorable contract and goodwill of the Partnerships. Amortization expense related to customer lists and the favorable contract will be recognized over their respective useful lives and is included in Equity in earnings of unconsolidated entities in the Consolidated Statement of Operations. In addition, U.S. Cellular recognized a non-cash pre-tax gain of \$18.5 million in the second quarter of 2013. The gain was recorded in Gain (loss) on investments in the Consolidated Statement of Operations.

Note 9 Property, Plant and Equipment

Property, plant and equipment in service and under construction, and related accumulated depreciation and amortization, as of December 31, 2015 and 2014 were as follows:

December 31,	Useful Lives (Years)	2015	2014
(Dollars in thousands)			
Land	N/A	\$ 35,535	\$ 35,031
Buildings	20	295,282	296,502
Leasehold and land improvements	1-30	1,102,991	1,086,718
Cell site equipment	7-25	3,382,743	3,269,609
Switching equipment	5-8	960,091	960,377
Office furniture and equipment	3-5	502,362	553,630
Other operating assets and equipment	3-5	78,714	89,663
System development	1-7	1,169,170	1,042,195
Work in process	N/A	141,848	125,015
		7,668,736	7,458,740
Accumulated depreciation and amortization		(5,019,803)	(4,730,523)
		\$ 2,648,933	\$ 2,728,217

Depreciation and amortization expense totaled \$ 595.5 million, \$ 593.2 million and \$ 791.1 million in 2015, 2014 and 2013, respectively. In 2015, 2014 and 2013, (Gain) loss on asset disposals, net included charges of \$ 16.3 million, \$ 21.5 million and \$ 30.6 million, respectively, related to disposals of assets, trade-ins of older assets for replacement assets and other retirements of assets from service in the normal course of business.

Note 10 Asset Retirement Obligations

U.S. Cellular is subject to asset retirement obligations associated with its leased cell sites, switching office sites, retail store sites and office locations in its operating markets. Asset retirement obligations generally include obligations to restore leased land and retail store and office premises to their pre-lease conditions. These obligations are included in Other deferred liabilities and credits and Other current liabilities in the Consolidated Balance Sheet.

In 2015 and 2014, U.S. Cellular performed a review of the assumptions and estimated costs related to its asset retirement obligations. The results of the reviews (identified as "Revisions in estimated cash outflows") and other changes in asset retirement obligations during 2015 and 2014 were as follows:

December 31,	2015	2014
(Dollars in thousands)		
Balance at beginning of year	\$ 152,512	\$ 195,568
Additional liabilities accrued	1,661	2,507
Revisions in estimated cash outflows	(759)	(2,792)
Disposition of assets	(5,949)	(44,403)
Accretion expense	10,958	12,534
Transferred to Liabilities held for sale	-	(10,902)
Balance at end of year ¹	\$ 158,423	\$ 152,512

¹ The total amount of asset retirement obligations related to the Divestiture Transaction included in Other current liabilities was \$5.9 million as of December 31, 2014.

Note 11 Debt

Revolving Credit Facility

At December 31, 2015, U.S. Cellular had a revolving credit facility available for general corporate purposes. Amounts under the revolving credit facility may be borrowed, repaid and reborrowed from time to time until maturity. U.S. Cellular borrowed and repaid cash amounts under its revolving credit facility in 2014. U.S. Cellular did not borrow under its revolving credit facility in 2015 or 2013 except for standby letters of credit.

In certain circumstances, U.S. Cellular's interest cost on its revolving credit facility may be subject to increase if its current credit rating from nationally recognized credit rating agencies is lowered, and may be subject to decrease if the rating is raised.

In 2014, certain nationally recognized credit rating agencies downgraded the U.S. Cellular corporate and senior debt credit ratings. After these downgrades, U.S. Cellular is rated at sub-investment grade. As a result of these downgrades, the commitment fee on the revolving credit facility increased to 0.30% per annum. The downgrades also increased the interest rate on any borrowings under the revolving credit facility by 0.25% per annum. As of December 31, 2015, U.S. Cellular's credit ratings from the nationally recognized credit rating agencies remained at sub-investment grade. The revolving credit facility does not cease to be available nor does the maturity date accelerate solely as a result of a downgrade in U.S. Cellular's credit rating. However, downgrades in U.S. Cellular's credit rating could adversely affect its ability to renew the revolving credit facility or obtain access to other credit facilities in the future.

The maturity date of any borrowings under the U.S. Cellular revolving credit facility would accelerate in the event of a change in control.

The continued availability of the revolving credit facility requires U.S. Cellular to comply with certain negative and affirmative covenants, maintain certain financial ratios and make representations regarding certain matters at the time of each borrowing. U.S. Cellular believes it was in compliance as of December 31, 2015 with all covenants and other requirements set forth in the revolving credit facility.

The following table summarizes the terms of the revolving credit facility as of December 31, 2015 :

(Dollars in millions)	
Maximum borrowing capacity	\$ 300.0
Letters of credit outstanding	\$ 17.5
Amount borrowed	\$ —
Amount available for use	\$ 282.5
Illustrative borrowing rate: One-month London Interbank Offered Rate ("LIBOR") plus contractual spread ¹	2.18%
Illustrative LIBOR Rate	0.43%
Contractual spread	1.75%
Commitment fees on amount available for use ²	0.30%
Agreement date	Dec 2010
Maturity date	Dec 2017

Fees incurred attributable to the Revolving Credit Facility are as follows:

Fees incurred as a percent of Maximum borrowing capacity for 2015	0.29%
Fees incurred, amount	
2015	\$ 0.9
2014	\$ 3.0
2013	\$ 0.8

¹ Borrowings under the revolving credit facility bear interest at LIBOR plus a contractual spread based on U.S. Cellular's credit rating or, at U.S. Cellular's option, an alternate "Base Rate" as defined in the revolving credit agreement. U.S. Cellular may select a borrowing period of either one, two, three or six months (or other period of twelve months or less if requested by U.S. Cellular and approved by the lenders).

² The revolving credit facility has commitment fees based on the unsecured senior debt ratings assigned to U.S. Cellular by certain ratings agencies.

In connection with U.S. Cellular's revolving credit facility, TDS and U.S. Cellular entered into a subordination agreement dated December 17, 2010 together with the administrative agent for the lenders under U.S. Cellular's revolving credit agreement. Pursuant to this subordination agreement, (a) any consolidated funded indebtedness from U.S. Cellular to TDS will be unsecured and (b) any (i) consolidated funded indebtedness from U.S. Cellular to TDS (other than "refinancing indebtedness" as defined in the subordination agreement) in excess of \$105 million and (ii) refinancing indebtedness in excess of \$250 million will be subordinated and made junior in right of payment to the prior payment in full of obligations to the lenders under U.S. Cellular's revolving credit agreement. As of December 31, 2015, U.S. Cellular had no outstanding consolidated funded indebtedness or refinancing indebtedness that was subordinated to the revolving credit agreement pursuant to the subordination agreement.

In July 2014, U.S. Cellular entered into an amendment to the revolving credit facility agreement which increased the Consolidated Leverage Ratio (the ratio of Consolidated Funded Indebtedness to Consolidated Earnings before interest, taxes, depreciation and amortization) that U.S. Cellular is required to maintain. Beginning July 1, 2014, U.S. Cellular is required to maintain the Consolidated Leverage Ratio at a level not to exceed 3.75 to 1.00 for the period of the four fiscal quarters most recently ended (this was 3.00 to 1.00 prior to July 1, 2014). The terms of the amendment decrease the maximum permitted Consolidated Leverage Ratio beginning January 1, 2016 from 3.75 to 3.50, with further decreases effective July 1, 2016 and January 1, 2017 (and will return to 3.00 to 1.00 at that time). For the twelve months ended December 31, 2015, the actual Consolidated Leverage Ratio was 2.08 to 1.00. Future changes in U.S. Cellular's financial condition could negatively impact its ability to meet the financial covenants and requirements in its revolving credit facility agreement.

Term Loan

In January 2015, U.S. Cellular entered into a senior term loan credit facility. In July 2015, U.S. Cellular borrowed the full amount of \$225 million available under this facility in two separate draws. The interest rate on outstanding borrowings will be reset at three and six month intervals at a rate of LIBOR plus 250 basis points. This credit facility provides for the draws to be continued on a long-term basis under terms that are readily determinable. U.S. Cellular has the ability and intent to carry the debt for the duration of the agreement. Principal reductions will be due and payable in quarterly installments of \$2.8 million beginning in March 2016 through December 2021, and the remaining unpaid balance will be due and payable in January 2022. This facility was entered into for general corporate purposes, including working capital, spectrum purchases and capital expenditures.

The continued availability of the term loan facility requires U.S. Cellular to comply with certain negative and affirmative covenants, maintain certain financial ratios and make representations regarding certain matters at the time of each borrowing, that are substantially the same as those in the U.S. Cellular revolving credit facility described above.

In connection with U.S. Cellular's term loan credit facility, TDS and U.S. Cellular entered into a subordination agreement dated January 21, 2015 together with the administrative agent for the lenders under U.S. Cellular's term loan credit agreement, which is substantially the same as the subordination agreement in the U.S. Cellular revolving credit facility described above. As of December 31, 2015, U.S. Cellular had no outstanding consolidated funded indebtedness or refinancing indebtedness that was subordinated to the term loan facility pursuant to this subordination agreement.

Other Long-Term Debt

In November 2015, U.S. Cellular issued \$300 million of 7.25% Senior Notes due 2064, and received cash proceeds of \$ 289.7 million after payment of debt issuance costs of \$ 10.3 million. These funds will be used for general corporate purposes, including working capital, spectrum purchases and capital expenditures.

Long-term debt as of December 31, 2015 and 2014 was as follows:

	Issuance date	Maturity date	Call date	December 31,					
				2015			2014		
				Principal Amount	Less Unamortized discount and debt issuance costs	Total	Principal Amount	Less Unamortized discount and debt issuance costs	Total
(Dollars in thousands)									
Unsecured Senior Notes									
6.700%	Dec 2003 and June 2004	Dec 2033	Dec 2003	\$ 544,000	\$ 15,247	\$ 528,753	\$ 544,000	\$ 15,656	\$ 528,344
6.950%	May 2011	May 2060	May 2016	342,000	10,905	331,095	342,000	10,937	331,063
7.250%	Dec 2014	Dec 2063	Dec 2019	275,000	9,629	265,371	275,000	9,644	265,356
7.250%	Nov 2015	Nov 2064	Nov 2020	300,000	10,316	289,684	—	—	—
Term Loan	Jan 2015	Jan 2022		225,000	2,283	222,717	—	—	—
Obligation on capital leases				2,200	—	2,200	2,143	—	2,143
Total long-term debt				\$ 1,688,200	\$ 48,380	\$ 1,639,820	\$ 1,163,143	\$ 36,237	\$ 1,126,906
Long-term debt, current						\$ 11,313			\$ 46
Long-term debt, noncurrent						\$ 1,628,507			\$ 1,126,860

U.S. Cellular may redeem the 6.7% Senior Notes, in whole or in part, at any time prior to maturity at a redemption price equal to the greater of (a) 100% of the principal amount of such notes, plus accrued and unpaid interest, or (b) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 30 basis points. U.S. Cellular may redeem the 6.95% Senior Notes, 7.25% 2063 Senior Notes and 7.25% 2064 Senior Notes, in whole or in part at any time after the call date, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest.

Interest on the 6.7% Senior Notes is payable semi-annually, and is payable quarterly on the 6.95% and 7.25% Senior Notes.

The annual requirements for principal payments on long-term debt are approximately \$ 11.3 million, \$ 11.3 million, \$ 11.3 million, \$ 11.4 million and \$ 11.4 million for the years 2016 through 2020, respectively.

The covenants associated with U.S. Cellular's long-term debt obligations, among other things, restrict U.S. Cellular's ability, subject to certain exclusions, to incur additional liens, enter into sale and leaseback transactions, and sell, consolidate or merge assets.

U.S. Cellular's long-term debt notes do not contain any provisions resulting in acceleration of the maturities of outstanding debt in the event of a change in U.S. Cellular's credit rating. However, a downgrade in U.S. Cellular's credit rating could adversely affect its ability to obtain long-term debt financing in the future.

Note 12 Commitments and Contingencies

Agreements

In November 2014, U.S. Cellular executed a Master Statement of Work and certain other documents with Amdocs Software Systems Limited ("Amdocs"). The agreement provides that U.S. Cellular will outsource to Amdocs certain support functions for its Billing and Operational Support System ("B/OSS"). Such functions include application support, billing operations and some infrastructure services. The agreement has a term through September 30, 2019, subject to five one-year renewal periods at U.S. Cellular's option. The estimated amount to be paid to Amdocs with respect to the agreement during the remaining term is approximately \$ 83 million (exclusive of travel and expenses and subject to certain potential adjustments).

During 2013, U.S. Cellular entered into agreements with Apple to purchase certain minimum quantities of Apple iPhone products and fund marketing programs related to the Apple iPhone and iPad products over a three-year period beginning in November 2013. Based on current forecasts, U.S. Cellular estimates that the remaining contractual commitment as of December 31, 2015 under these agreements is approximately \$ 196 million. At this time, U.S. Cellular expects to meet its contractual commitments with Apple.

Lease Commitments

U.S. Cellular is a party to various lease agreements, both as lessee and lessor, for office space, retail store sites, cell sites and equipment which are accounted for as operating leases. Certain leases have renewal options and/or fixed rental increases. Renewal options that are reasonably assured of exercise are included in determining the lease term. Any rent abatements or lease incentives, in addition to fixed rental increases, are included in the calculation of rent expense and calculated on a straight-line basis over the defined lease term.

As of December 31, 2015, future minimum rental payments required under operating leases and rental receipts expected under operating leases that have noncancellable lease terms in excess of one year were as follows:

	Operating Leases Future Minimum Rental Payments		Operating Leases Future Minimum Rental Receipts	
(Dollars in thousands)				
2016	\$	141,959	\$	48,573
2017		123,846		40,433
2018		105,024		32,112
2019		86,935		21,746
2020		73,981		10,284
Thereafter		671,738		1,260
Total	\$	1,203,483	\$	154,408

Rent expense totaled \$ 153.0 million, \$ 152.4 million and \$ 162.1 million in 2015, 2014 and 2013, respectively.

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.

U.S. Cellular has accrued \$ 0.5 million and \$ 0.4 million with respect to legal proceedings and unasserted claims as of December 31, 2015 and 2014 , respectively. 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 is unable to estimate any contingent loss in excess of the amounts accrued.

Note 13 Variable Interest Entities

U.S. Cellular consolidates variable interest entities (VIEs) in which it has a controlling financial interest and is the primary beneficiary. A controlling financial interest will have both of the following characteristics: (a) the power to direct the VIE activities that most significantly impact economic performance and (b) the obligation to absorb the VIE losses and right to receive benefits that are significant to the VIE. U.S. Cellular reviews these criteria initially at the time it enters into agreements and subsequently when reconsideration events occur.

Consolidated VIEs

As of December 31, 2015 , U.S. Cellular holds a variable interest in and consolidates the following VIEs under GAAP:

- Advantage Spectrum and Frequency Advantage L.P., the general partner of Advantage Spectrum;
- Aquinas Wireless L.P. (“Aquinas Wireless”); and
- King Street Wireless L.P. (“King Street Wireless”) and King Street Wireless, Inc., the general partner of King Street Wireless.

The power to direct the activities that most significantly impact the economic performance of Advantage Spectrum, Aquinas Wireless and King Street Wireless (collectively, the “limited partnerships”) is shared. Specifically, the general partner 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 the 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. Accordingly, these VIEs are consolidated.

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

December 31,	2015	2014
(Dollars in thousands)		
Assets		
Cash and cash equivalents	\$ 1,435	\$ 2,588
Other current assets	265	278
Licenses ¹	648,661	312,977
Property, plant and equipment, net	7,722	10,671
Other assets and deferred charges	147	60,059
Total assets	\$ 658,230	\$ 386,573
Liabilities		
Current liabilities	\$ 143	\$ 110
Deferred liabilities and credits	489	622
Total liabilities	\$ 632	\$ 732

¹ At December 31, 2015, includes purchases totaling \$338.3 million made by Advantage Spectrum from the FCC as described below.

Other Related Matters

In March 2015, King Street Wireless made a \$ 60.0 million distribution to its investors. Of this distribution, \$ 6.0 million was provided to King Street Wireless, Inc. and \$ 54.0 million was provided to U.S. Cellular.

FCC Auction 97 ended in January 2015. U.S. Cellular participated in Auction 97 indirectly through its interest in Advantage Spectrum. A subsidiary of U.S. Cellular is a limited partner in Advantage Spectrum. Advantage Spectrum applied as a “designated entity,” and expects to receive bid credits with respect to spectrum purchased in Auction 97. Advantage Spectrum was the winning bidder for 124 licenses for an aggregate bid of \$ 338.3 million, after its expected designated entity discount of 25% . This amount is classified as Licenses in U.S. Cellular’s Consolidated Balance Sheet. Advantage Spectrum’s bid amount, less the initial deposit of \$ 60.0 million paid in 2014, plus certain other charges totaling \$ 2.3 million, were paid to the FCC in March 2015. These licenses have not yet been granted by and are still pending before the FCC. To help fund this payment, U.S. Cellular made loans and capital contributions to Advantage Spectrum and Frequency Advantage totaling \$ 280.6 million during 2015 . U.S. Cellular’s capital contributions and advances made to its VIEs totaled \$ 60.9 million in 2014. There were no capital contributions or advances made to VIEs in 2013.

Advantage Spectrum, Aquinas Wireless and King Street Wireless 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 those described in the "Risk Factors" in U.S. Cellular's Form 10-K for the year ended December 31, 2015 .

U.S. Cellular may agree to make additional capital contributions and/or advances to Advantage Spectrum, Aquinas Wireless or King Street Wireless and/or to their general partners to provide additional funding for the development of licenses granted in 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.

The limited partnership agreements of Advantage Spectrum, Aquinas Wireless and King Street Wireless also provide the general partner with a put option whereby the general partner may require the limited partner, a subsidiary of U.S. Cellular, to purchase its interest in the limited partnership. The general partner's put options related to its interests in King Street Wireless and Aquinas Wireless will become exercisable in 2019 and 2020, respectively. The general partner's put options related to its interest in Advantage Spectrum will become exercisable on the fifth and sixth anniversaries of the issuance of any license. The put option price is determined pursuant to a formula that takes into consideration fixed interest rates and the market value of U.S. Cellular's Common Shares. Upon exercise of the put option, the general partner is required to repay borrowings due to U.S. Cellular. If the general partner does not elect to exercise its put option, the general partner may trigger an appraisal process in which the limited partner (a subsidiary of U.S. Cellular) may have the right, but not the obligation, to purchase the general partner's interest in the limited partnership at a price and on other terms and conditions specified in the limited partnership agreement. In accordance with requirements under GAAP, U.S. Cellular is required to calculate a theoretical redemption value for all of the put options assuming they are exercisable at the end of each reporting period, even though such exercise is not contractually permitted. Pursuant to GAAP, this theoretical redemption value, net of amounts payable to U.S. Cellular for loans and accrued interest thereon made by U.S. Cellular to the general partners ("net put value"), was \$ 1.1 million and \$ 1.2 million at December 31, 2015 and 2014 , respectively. The net put value is recorded as Noncontrolling interests with redemption features in U.S. Cellular's Consolidated Balance Sheet. Also in accordance with GAAP, changes in the redemption value of the put options, net of interest accrued on the loans, are recorded as a component of Net income attributable to noncontrolling interests, net of tax, in U.S. Cellular's Consolidated Statement of Operations.

During 2015 , U.S. Cellular recorded out-of-period adjustments attributable to 2013 and 2014, related to an agreement with King Street Wireless. U.S. Cellular has determined that these adjustments were not material to the prior quarterly or annual periods, and also were not material to the full year 2015 results. As a result of these out-of-period adjustments, Net income decreased by \$ 2.8 million and Net income attributable to U.S. Cellular shareholders decreased by \$ 4.0 million in 2015.

Note 14 Noncontrolling Interests

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, where the terms of the underlying partnership 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. The termination dates of these mandatorily redeemable noncontrolling interests range from 2085 to 2113.

The estimated aggregate amount that would be due and payable to settle all of these noncontrolling interests assuming an orderly liquidation of the finite-lived consolidated partnerships on December 31, 2015 , net of estimated liquidation costs, is \$ 25.7 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 prior to their scheduled termination dates. The corresponding carrying value of the mandatorily redeemable noncontrolling interests in finite-lived consolidated partnerships at December 31, 2015 was \$ 9.5 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 due primarily to the unrecognized appreciation of the noncontrolling interest holders' share of the underlying net assets in the consolidated partnerships. 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.

Note 15 Common Shareholders' Equity

Tax-Deferred Savings Plan

U.S. Cellular has reserved 67,215 Common Shares for issuance under the TDS Tax-Deferred Savings Plan, a qualified profit - sharing plan pursuant to Sections 401(a) and 401(k) of the Internal Revenue Code. Participating employees have the option of investing their contributions in a U.S. Cellular Common Share fund, a TDS Common Share fund or certain unaffiliated funds.

Series A Common Shares

Series A Common Shares are convertible on a share-for-share basis into Common Shares. In matters other than the election of directors, each Series A Common Share is entitled to ten votes per share, compared to one vote for each Common Share. The Series A Common Shares are entitled to elect 75% of the directors (rounded down), and the Common Shares elect 25% of the directors (rounded up). As of December 31, 2015, a majority of U.S. Cellular's outstanding Common Shares and all of U.S. Cellular's outstanding Series A Common Shares were held by TDS.

Common Share Repurchase Program

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:

Year Ended December 31,	Number of Shares	Average Cost Per Share	Total Cost
(Shares and dollar amounts in thousands, except per share amounts)			
2015			
U.S. Cellular Common Shares	178	\$ 34.86	\$ 6,188
2014			
U.S. Cellular Common Shares	496	\$ 38.19	\$ 18,943
2013			
U.S. Cellular Common Shares	499	\$ 37.19	\$ 18,544

Pursuant to certain employee and non-employee benefit plans, U.S. Cellular reissued the following Treasury Shares:

Year Ended December 31,	2015	2014	2013
(Shares in thousands)			
Treasury Shares Reissued	457	371	536

Note 16 Stock-Based Compensation

U.S. Cellular has established the following stock - based compensation plans: Long-Term Incentive Plans and a Non-Employee Director compensation plan.

Under the U.S. Cellular Long-Term Incentive Plans, U.S. Cellular may grant fixed and performance based incentive and non-qualified stock options, restricted stock, restricted stock units, and deferred compensation stock unit awards to key employees. At December 31, 2015, the only types of awards outstanding are fixed non-qualified stock option awards, restricted stock unit awards, and deferred compensation stock unit awards.

Under the Non-Employee Director compensation plan, U.S. Cellular may grant Common Shares to members of the Board of Directors who are not employees of U.S. Cellular or TDS.

On June 25, 2013, U.S. Cellular paid a special cash dividend to all holders of U.S. Cellular Common Shares and Series A Common Shares as of June 11, 2013. Outstanding U.S. Cellular stock options, restricted stock unit awards and deferred compensation stock units were equitably adjusted for the special cash dividend. The impact of such adjustments are fully reflected for all years presented. See Note 5 — Earnings Per Share for additional information.

At December 31, 2015, U.S. Cellular had reserved 9,340,000 Common Shares for equity awards granted and to be granted under the Long-Term Incentive Plans and 183,000 Common Shares for issuance under the Non-Employee Director compensation plan.

U.S. Cellular uses treasury stock to satisfy requirements for Common Shares issued pursuant to its various stock-based compensation plans.

Long-Term Incentive Plans – Stock Options – Stock options granted to key employees are exercisable over a specified period not in excess of ten years. Stock options generally vest over a period of three years from the date of grant. Stock options outstanding at December 31, 2015 expire between 2016 and 2025. However, vested stock options typically expire 30 days after the effective date of an employee's termination of employment for reasons other than retirement. Employees who leave at the age of retirement have 90 days (or one year if they satisfy certain requirements) within which to exercise their vested stock options. The exercise price of options equals the market value of U.S. Cellular Common Shares on the date of grant.

U.S. Cellular estimated the fair value of stock options granted during 2015, 2014 and 2013 using the Black-Scholes valuation model and the assumptions shown in the table below.

	2015	2014	2013
Expected life	4.6 years	4.5 years	4.6-9.0 years
Expected annual volatility rate	30.1%	28.0%-28.1%	29.2%-39.6%
Dividend yield	0%	0%	0%
Risk-free interest rate	1.2%	1.4%-1.5%	0.7%-2.4%
Estimated annual forfeiture rate	9.7%	9.4%	0.0%-8.1%

A summary of U.S. Cellular stock options outstanding (total and portion exercisable) and changes during 2015, is presented in the table below:

Common Share Options	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding at December 31, 2014 (1,586,000 exercisable)	3,388,000	\$ 41.51		
Granted	1,279,000	36.42		
Exercised	(321,000)	32.94		
Forfeited	(110,000)	37.57		
Expired	(134,000)	43.77		
Outstanding at December 31, 2015 (1,849,000 exercisable)	4,102,000	\$ 40.62	\$ 11,292,000	6.80
		\$ 44.33	\$ 3,733,000	4.60

The weighted average grant date fair value per share of the U.S. Cellular stock options granted in 2015, 2014 and 2013 was \$ 9.94, \$ 10.68 and \$ 11.53, respectively. The aggregate intrinsic value of U.S. Cellular stock options exercised in 2015, 2014 and 2013 was \$ 2.1 million, \$ 2.0 million and \$ 6.8 million, respectively. The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between U.S. Cellular's closing stock price and the exercise price multiplied by the number of in-the-money options) that was received by the option holders upon exercise or that would have been received by option holders had all options been exercised on December 31, 2015.

Long-Term Incentive Plans – Restricted Stock Units – U.S. Cellular grants restricted stock unit awards, which generally vest after three years, to key employees.

U.S. Cellular estimates the fair value of restricted stock units based on the closing market price of U.S. Cellular shares on the date of grant. The fair value is then recognized as compensation cost on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period.

A summary of U.S. Cellular nonvested restricted stock units at December 31, 2015 and changes during the year then ended is presented in the table below:

Common Restricted Stock Units	Number	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2014	1,142,000	\$ 35.60
Granted	478,000	37.24
Vested	(349,000)	34.05
Forfeited	(77,000)	35.76
Nonvested at December 31, 2015	1,194,000	\$ 36.70

The total fair value of restricted stock units that vested during 2015, 2014 and 2013 was \$ 12.9 million, \$ 11.1 million and \$ 8.8 million, respectively. The weighted average grant date fair value per share of the restricted stock units granted in 2015, 2014 and 2013 was \$ 37.24, \$ 41.24 and \$ 32.06, respectively.

Long-Term Incentive Plans – Deferred Compensation Stock Units – Certain U.S. Cellular employees may elect to defer receipt of all or a portion of their annual bonuses and to receive a company matching contribution on the amount deferred. All bonus compensation that is deferred by employees electing to participate is immediately vested and is deemed to be invested in U.S. Cellular Common Share stock units. The amount of U.S. Cellular's matching contribution depends on the portion of the annual bonus that is deferred. Participants receive a 25% match for amounts deferred up to 50% of their total annual bonus and a 33% match for amounts that exceed 50% of their total annual bonus; such matching contributions also are deemed to be invested in U.S. Cellular Common Share stock units.

The total fair value of deferred compensation stock units that vested during 2015 and 2013 was \$ 0.2 million and less than \$ 0.1 million, respectively. The weighted average grant date fair value per share of the deferred compensation stock units granted in 2015 and 2013 was \$ 35.96 and \$ 31.50 , respectively. There were no deferred compensation stock units granted or that vested during 2014. As of December 31, 2015 , there were 6,000 vested but unissued deferred compensation stock units valued at \$ 0.2 million.

Compensation of Non-Employee Directors – U.S. Cellular issued 15,000 , 14,200 and 13,000 Common Shares in 2015 , 2014 and 2013 , respectively, under its Non-Employee Director compensation plan.

Stock - Based Compensation Expense

The following table summarizes stock - based compensation expense recognized during 2015 , 2014 and 2013 :

Year Ended December 31,	2015	2014	2013
(Dollars in thousands)			
Stock option awards	\$ 11,231	\$ 9,513	\$ 5,810
Restricted stock unit awards	12,716	12,125	9,485
Deferred compensation bonus and matching stock unit awards	241	185	2
Awards under Non-Employee Director compensation plan	560	560	547
Total stock-based compensation, before income taxes	24,748	22,383	15,844
Income tax benefit	(9,352)	(8,454)	(5,984)
Total stock-based compensation expense, net of income taxes	\$ 15,396	\$ 13,929	\$ 9,860

The following table provides a summary of the stock-based compensation expense included in the Consolidated Statement of Operations for the years ended:

December 31,	2015	2014	2013
(Dollars in thousands)			
Selling, general and administrative expense	\$ 22,233	\$ 19,429	\$ 12,933
System operations	2,515	2,954	2,911
Total stock-based compensation expense	\$ 24,748	\$ 22,383	\$ 15,844

At December 31, 2015 , unrecognized compensation cost for all U.S. Cellular stock - based compensation awards was \$ 26.1 million and is expected to be recognized over a weighted average period of 1.9 years.

U.S. Cellular's tax benefits realized from the exercise of stock options and other awards totaled \$ 5.9 million in 2015 .

Note 17 Supplemental Cash Flow Disclosures

Following are supplemental cash flow disclosures regarding interest paid and income taxes paid.

Year Ended December 31,	2015	2014	2013
(Dollars in thousands)			
Interest paid	\$ 80,530	\$ 54,955	\$ 42,904
Income taxes paid, net of refunds received	59,159	33,276	157,778

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

Year Ended December 31,	2015	2014	2013
(Dollars in thousands)			
Common Shares withheld	228,011	163,355	606,582
Aggregate value of Common Shares withheld	\$ 8,448	\$ 6,868	\$ 25,179
Cash receipts upon exercise of stock options	6,881	5,166	10,468
Cash disbursements for payment of taxes	(4,714)	(4,336)	(4,684)
Net cash receipts from exercise of stock options and vesting of other stock awards	\$ 2,167	\$ 830	\$ 5,784

On September 27, 2012, the FCC conducted a single round, sealed bid, reverse auction to award up to \$ 300 million in one-time Mobility Fund Phase I support to successful bidders that commit to provide 3G, or better, wireless service in areas designated as unserved by the FCC. This auction was designated by the FCC as Auction 901. U.S. Cellular and several of its wholly-owned subsidiaries participated in Auction 901 and were winning bidders in eligible areas within 10 states and will receive up to \$ 40.1 million in one-time support from the Mobility Fund. These funds when received reduce the carrying amount of the assets to which they relate or offset operating expenses. In connection with these winning bids, in June 2013, U.S. Cellular provided \$ 17.4 million letters of credit to the FCC, of which the entire amount remained outstanding as of December 31, 2015. U.S. Cellular has received \$ 13.4 million in support funds, of which the entire balance has been spent as of December 31, 2015. In 2014, \$ 1.9 million was included as a component of Other assets and deferred charges in the Consolidated Balance Sheet and \$ 11.5 million reduced the carrying amount of the assets to which they relate, which are included in Property, plant and equipment in the Consolidated Balance Sheet. U.S. Cellular has set up a receivable in the amount of \$ 18.4 million as of December 31, 2015 as part of Phase II of the Mobility Fund.

Note 18 Certain Relationships and Related Transactions

The following persons are partners of Sidley Austin LLP, the principal law firm of U.S. Cellular and its subsidiaries: Walter C.D. Carlson, a director of U.S. Cellular, a director and non-executive Chairman of the Board of Directors of TDS and a trustee and beneficiary of a voting trust that controls TDS; William S. DeCarlo, the General Counsel of TDS and an Assistant Secretary of TDS and certain subsidiaries of TDS; and Stephen P. Fitzell, the General Counsel of U.S. Cellular and TDS Telecommunications Corporation and an Assistant Secretary of U.S. Cellular and certain other subsidiaries of TDS. Walter C.D. Carlson does not provide legal services to TDS, U.S. Cellular or their subsidiaries. U.S. Cellular and its subsidiaries incurred legal costs from Sidley Austin LLP of \$ 8.7 million in 2015, \$ 10.7 million in 2014 and \$ 13.2 million in 2013.

U.S. Cellular is billed for all services it receives from TDS, pursuant to the terms of various agreements between it and TDS. These billings are included in U.S. Cellular's Selling, general and administrative expenses. Some of these agreements were established at a time prior to U.S. Cellular's initial public offering when TDS owned more than 90% of U.S. Cellular's outstanding capital stock and may not reflect terms that would be obtainable from an unrelated third party through arms-length negotiations. Billings from TDS and certain of its subsidiaries to U.S. Cellular are based on expenses specifically identified to U.S. Cellular and on allocations of common expenses. Such allocations are based on the relationship of U.S. Cellular's assets, employees, investment in property, plant and equipment and expenses relative to all subsidiaries in the TDS consolidated group. Management believes the method TDS uses to allocate common expenses is reasonable and that all expenses and costs applicable to U.S. Cellular are reflected in its financial statements. Billings to U.S. Cellular from TDS totaled \$ 96.2 million, \$ 91.1 million and \$ 99.2 million in 2015, 2014 and 2013, respectively.

In December 2014, U.S. Cellular entered into an agreement to sell 595 towers outside of its core markets to a third party for \$159 million. The sale of certain of the towers was completed in December 2014, and the sale of the remaining towers was completed in January 2015. See Note 6 – Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements. Of the 595 towers, six towers were acquired by U.S. Cellular from Airadigm for a total of \$2.6 million. These six towers were included as part of the sale of towers by U.S. Cellular in order to avoid the need for two sets of transaction documents. The value of \$2.6 million paid by U.S. Cellular to Airadigm for such six towers was determined using the same method of valuation that was used to value the towers owned by U.S. Cellular that were sold to the third party. The Audit Committee of the board of directors reviewed and evaluated this transaction between U.S. Cellular and Airadigm.

In December 2013, TDS initially proposed to have Airadigm sell to U.S. Cellular the FCC spectrum licenses, towers and customers in certain Airadigm markets for \$110 million in cash. Because TDS owns 100% of the common stock of Airadigm and approximately 84% of the common stock of U.S. Cellular, this proposal was a related party transaction. Accordingly, the U.S. Cellular Board of Directors formed a Special Committee comprised entirely of independent and disinterested directors with exclusive authority to consider, negotiate and, if appropriate, approve any such transaction with Airadigm without any further involvement of the full board. The U.S. Cellular Special Committee engaged independent financial advisors and legal counsel. The transaction was negotiated between representatives of TDS and Airadigm, on the one hand, and the Special Committee and its representatives, on the other hand. The U.S. Cellular Special Committee also received a fairness opinion from its independent financial advisor. Following these events, the Special Committee approved a License Purchase and Customer Recommendation Agreement between U.S. Cellular and Airadigm. Pursuant to the License Purchase and Customer Recommendation Agreement, on September 10, 2014, Airadigm transferred to U.S. Cellular Federal Communications Commission (“FCC”) spectrum licenses and certain tower assets in certain markets in Wisconsin, Iowa, Minnesota and Michigan, in consideration for \$91.5 million in cash. See Note 6 – Acquisitions, Divestitures and Exchanges in the Notes to Consolidated Financial Statements.

The Audit Committee of the Board of Directors of U.S. Cellular is responsible for the review and evaluation of all related-party transactions as such term is defined by the rules of the New York Stock Exchange.

Note 19 Subsequent Events

In January 2016, U.S. Cellular entered into an agreement to purchase a 700 MHz A Block license for \$ 36.0 million. The transaction is expected to close in the third quarter of 2016 pending regulatory approval. In February 2016, U.S. Cellular entered into multiple agreements with third parties that provide for the transfer of certain AWS and PCS spectrum licenses and approximately \$ 30 million in cash to U.S. Cellular, in exchange for U.S. Cellular transferring certain AWS, PCS and 700 MHz licenses to the third parties. The transactions are subject to regulatory approval and other customary closing conditions, and are expected to close in 2016. Upon closing of the transactions, U.S. Cellular expects to recognize a gain.

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

Management of United States Cellular Corporation has the responsibility for preparing the accompanying consolidated financial statements and for their integrity and objectivity. The statements were prepared in accordance with accounting principles generally accepted in the United States of America and, in management's opinion, were fairly presented. The financial statements included amounts that were based on management's best estimates and judgments. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the financial statements.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited these consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and has expressed herein its unqualified opinion on these financial statements.

/s/ Kenneth R. Meyers

Kenneth R. Meyers

*President and Chief Executive Officer
(principal executive officer)*

/s/ Steven T. Campbell

Steven T. Campbell

*Executive Vice President—Finance, Chief Financial Officer
and Treasurer
(principal financial officer)*

/s/ Douglas D. Shuma

Douglas D. Shuma

*Chief Accounting Officer
(principal accounting officer)*

/s/ Kristin A. MacCarthy

Kristin A. MacCarthy

Vice President and Controller

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. U.S. Cellular's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). U.S. Cellular's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and, where required, the Board of Directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the issuer's assets that could have a material effect on the interim or annual consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of U.S. Cellular's management, including its principal executive officer and principal financial officer, U.S. Cellular conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2015, based on the criteria established in the 2013 version of *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has concluded that U.S. Cellular maintained effective internal control over financial reporting as of December 31, 2015 based on criteria established in the 2013 version of *Internal Control — Integrated Framework* issued by the COSO.

The effectiveness of U.S. Cellular's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in the firm's report included herein.

/s/ Kenneth R. Meyers

Kenneth R. Meyers

President and Chief Executive Officer
(principal executive officer)

/s/ Steven T. Campbell

Steven T. Campbell

Executive Vice President—Finance, Chief Financial Officer
and Treasurer
(principal financial officer)

/s/ Douglas D. Shuma

Douglas D. Shuma

Chief Accounting Officer
(principal accounting officer)

/s/ Kristin A. MacCarthy

Kristin A. MacCarthy

Vice President and Controller

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of United States Cellular Corporation :

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in equity, and cash flows present fairly, in all material respects, the financial position of United States Cellular Corporation and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, based on our audit, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We did not audit the financial statements of Los Angeles SMSA Limited Partnership and Subsidiary, a 5.5% owned entity accounted for by the equity method of accounting. The consolidated financial statements of United States Cellular Corporation reflect an investment in this partnership of \$197,600,000 and \$123,600,000 as of December 31, 2015 and 2014, respectively, and equity earnings of \$74,000,000, \$71,800,000 and \$78,400,000 for each of the three years in the period ended December 31, 2015. The financial statements of Los Angeles SMSA Limited Partnership and Subsidiary were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements expressed herein, insofar as it relates to the amounts included for Los Angeles SMSA Limited Partnership and Subsidiary, is based solely on the report of the other auditors. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it classifies debt issuance costs and deferred income taxes in 2015.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
February 24, 2016

Uni ted States Cellular Corporation
Selected Consolidated Financial Data

Year Ended or at December 31,	2015	2014	2013	2012	2011
(Dollars and shares in thousands, except per share amounts)					
Statement of Operations data					
Service revenues	\$ 3,350,431	\$ 3,397,937	\$ 3,594,773	\$ 4,098,856	\$ 4,053,797
Equipment sales	646,422	494,810	324,063	353,228	289,549
Operating revenues	3,996,853	3,892,747	3,918,836	4,452,084	4,343,346
(Gain) loss on sale of business and other exit costs, net	(113,555)	(32,830)	(246,767)	21,022	-
(Gain) loss on license sales and exchanges	(146,884)	(112,993)	(255,479)	-	(11,762)
Operating income (loss)	312,942	(143,390)	146,865	156,656	280,780
Equity in earnings of unconsolidated entities	140,083	129,764	131,949	90,364	83,566
Gain (loss) on investments	-	-	18,556	(3,718)	11,373
Income (loss) before income taxes	403,629	(58,704)	257,656	205,053	312,822
Net income (loss)	247,295	(46,922)	144,522	141,076	198,744
Net income (loss) attributable to noncontrolling interests, net of tax	5,948	(4,110)	4,484	30,070	23,702
Net income (loss) attributable to U.S. Cellular shareholders	\$ 241,347	\$ (42,812)	\$ 140,038	\$ 111,006	\$ 175,041
Basic weighted average shares outstanding	84,248	84,213	83,968	84,645	84,877
Basic earnings (loss) per share attributable to U.S. Cellular shareholders	\$ 2.86	\$ (0.51)	\$ 1.67	\$ 1.31	\$ 2.06
Diluted weighted average shares outstanding ¹	84,891	84,213	84,730	85,230	85,448
Diluted earnings (loss) per share attributable to U.S. Cellular shareholders ¹	\$ 2.84	\$ (0.51)	\$ 1.65	\$ 1.30	\$ 2.05
Special dividend per share to U.S. Cellular shareholders ¹	\$ -	\$ -	\$ 5.75	\$ -	\$ -
Balance Sheet data					
Total assets ²	\$ 7,059,978	\$ 6,462,309	\$ 6,430,255	\$ 6,571,868	\$ 6,313,248
Net long-term debt, excluding current portion ²	1,628,507	1,126,860	862,579	863,276	865,592
Total U.S. Cellular shareholders' equity	\$ 3,560,513	\$ 3,301,991	\$ 3,391,206	\$ 3,733,855	\$ 3,619,961

¹ On June 25, 2013, U.S. Cellular paid a special cash dividend of \$5.75 per share, for an aggregate amount of \$482.3 million, to all holders of U.S. Cellular Common Shares and Series A Common Shares as of June 11, 2013. Outstanding U.S. Cellular stock options and restricted stock unit awards were equitably adjusted for the special cash dividend. The impact of such adjustments on the earnings per share calculation was reflected in all prior periods presented.

² Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), was adopted early as of December 31, 2015 and applied retrospectively. All prior year numbers have been revised to conform to this standard. See Note 1 - Summary of Significant Accounting Policies and Recent Accounting Pronouncements for additional information regarding ASU 2015-03.

United States Cellular Corporation
Consolidated Quarterly Information (Unaudited)

2015	Quarter Ended			
	March 31	June 30	September 30	December 31
(Amounts in thousands, except per share amounts)				
Operating revenues	\$ 965,245	\$ 975,667	\$ 1,068,906	\$ 987,035
(Gain) loss on asset disposals, net	4,251	5,399	2,618	4,045
(Gain) loss on sale of business and other exit costs, net ¹	(111,477)	(1,705)	(643)	270
(Gain) loss on license sales and exchanges ¹	(122,873)	(25)	(23,986)	–
Operating income (loss)	250,313	8,499	77,725	(23,595)
Net income (loss)	164,990	19,910	65,021	(2,626)
Net income (loss) attributable to U.S. Cellular shareholders	\$ 160,064	\$ 19,352	\$ 63,594	\$ (1,663)
Basic weighted average shares outstanding	84,042	84,293	84,333	84,320
Diluted weighted average shares outstanding	84,838	84,892	84,947	84,320
Basic earnings (loss) per share attributable to U.S. Cellular shareholders	\$ 1.90	\$ 0.23	\$ 0.75	\$ (0.02)
Diluted earnings (loss) per share attributable to U.S. Cellular shareholders	\$ 1.89	\$ 0.23	\$ 0.75	\$ (0.02)
Stock price				
U.S. Cellular Common Shares ²				
High	\$ 40.19	\$ 39.90	\$ 39.50	\$ 43.49
Low	34.10	35.78	34.27	34.42
Close	\$ 35.72	\$ 37.67	\$ 35.43	\$ 40.81
Quarter Ended				
2014	March 31	June 30	September 30	December 31
(Amounts in thousands, except per share amounts)				
Operating revenues	\$ 925,811	\$ 957,773	\$ 1,000,419	\$ 1,008,744
(Gain) loss on asset disposals, net	1,934	6,893	7,947	4,695
(Gain) loss on sale of business and other exit costs, net ¹	(6,900)	(10,511)	(10,283)	(5,136)
(Gain) loss on license sales and exchanges ¹	(91,446)	–	–	(21,547)
Operating income (loss)	7,825	(50,307)	(51,354)	(49,554)
Net income (loss)	18,404	(19,451)	(23,771)	(22,104)
Net income (loss) attributable to U.S. Cellular shareholders	\$ 19,482	\$ (18,789)	\$ (22,165)	\$ (21,340)
Basic weighted average shares outstanding	84,213	84,341	84,233	84,066
Diluted weighted average shares outstanding	85,065	84,341	84,233	84,066
Basic earnings (loss) per share attributable to U.S. Cellular shareholders	\$ 0.23	\$ (0.22)	\$ (0.26)	\$ (0.25)
Diluted earnings (loss) per share attributable to U.S. Cellular shareholders	\$ 0.23	\$ (0.22)	\$ (0.26)	\$ (0.25)
Stock price				
U.S. Cellular Common Shares ²				
High	\$ 44.86	\$ 43.50	\$ 42.00	\$ 40.92
Low	35.93	38.33	33.17	31.79
Close	\$ 41.01	\$ 40.80	\$ 35.48	\$ 39.83

¹ See Note 6 — Acquisitions, Divestitures and Exchanges for additional information on (Gain) loss on sale of business and other exit costs, net and (Gain) loss on license sales and exchanges.

² The high, low and closing sales prices as reported by the New York Stock Exchange (“NYSE”).

United States Cellular Corporation Shareholder Information

Stock and Dividend Information

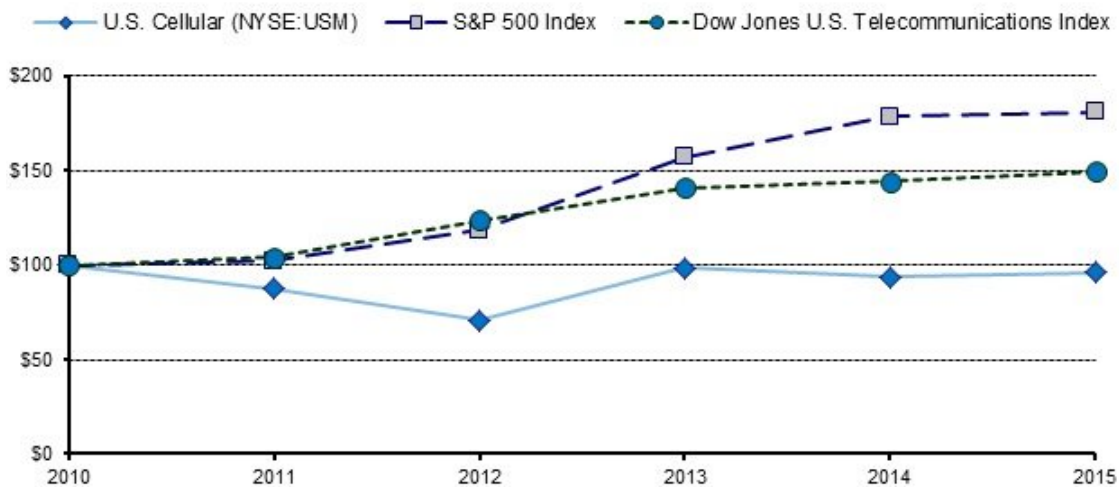
U.S. Cellular's Common Shares are listed on the New York Stock Exchange under the symbol "USM" and in the newspapers as "US Cellu." As of January 31, 2016, the last trading day of the month, U.S. Cellular's Common Shares were held by approximately 293 record owners. All of the Series A Common Shares were held by TDS. No public trading market exists for the Series A Common Shares. The Series A Common Shares are convertible on a share-for-share basis into Common Shares.

U.S. Cellular has not paid any cash dividends, except for a special cash dividend of \$ 5.75 per share in June 2013, and currently intends to retain all earnings for use in U.S. Cellular's business.

See "Consolidated Quarterly Information (Unaudited)" for information on the high and low trading prices of the USM Common Shares for 2015 and 2014.

Stock Performance Graph

The following chart provides a comparison of U.S. Cellular's cumulative total return to shareholders (stock price appreciation plus dividends) during the previous five years to the returns of the Standard & Poor's 500 Composite Stock Price Index and the Dow Jones U.S. Telecommunications Index. As of December 31, 2015, the Dow Jones U.S. Telecommunications Index was composed of the following companies: 8X8 Inc., AT&T Inc., CenturyLink Inc., Frontier Communications Corp., Level 3 Communications Inc., SBA Communications Corp., Sprint Corp., T-Mobile US Inc., Telephone and Data Systems, Inc. (TDS) and Verizon Communications Inc.



* Cumulative total return assumes reinvestment of dividends.

	2010	2011	2012	2013	2014	2015
U.S. Cellular (NYSE: USM)	\$ 100	\$ 87.36	\$ 70.56	\$ 98.12	\$ 93.45	\$ 95.75
S&P 500 Index	100	102.11	118.45	156.82	178.28	180.75
Dow Jones U.S. Telecommunications Index	100	103.97	123.50	140.95	144.32	149.39

Assumes \$100.00 invested at the close of trading on the last trading day preceding the first day of 2010, in U.S. Cellular Common Shares, S&P 500 Index and the Dow Jones U.S. Telecommunications Index.

Investor relations

U.S. Cellular's annual report, SEC filings and news releases are available to investors, securities analysts and other members of the investment community. These reports are provided, without charge, upon request to our Corporate Office. Investors may also access these and other reports through the Investor Relations portion of the U.S. Cellular website (www.uscellular.com).

Questions regarding lost, stolen or destroyed certificates, consolidation of accounts, transferring of shares and name or address changes should be directed to:

Julie Mathews, Director – Investor Relations
Telephone and Data Systems, Inc.
30 North LaSalle Street, Suite 4000
Chicago, IL 60602
312.592.5341
312.630.9299 (fax)
julie.mathews@tdsinc.com

General inquiries by investors, securities analysts and other members of the investment community should be directed to:

Jane W. McCahon, Vice President – Corporate Relations and Corporate Secretary
Telephone and Data Systems, Inc.
30 North LaSalle Street, Suite 4000
Chicago, IL 60602
312.592.5379
312.630.9299 (fax)
jane.mccahon@tdsinc.com

Directors and executive officers

See "Election of Directors" and "Executive Officers" sections of the Proxy Statement issued in 2016 for the 2016 Annual Meeting.

Principal counsel

Sidley Austin LLP, Chicago, Illinois

Transfer agent

Computershare Trust Company, N.A.
211 Quality Circle, Suite 210
College Station, TX 77845
312.360.5326

Independent registered public accounting firm

PricewaterhouseCoopers LLP

Visit U.S. Cellular's website at www.uscellular.com

UNITED STATES CELLULAR CORPORATION
SUBSIDIARY COMPANIES
December 31, 2015

SUBSIDIARY COMPANIES	STATE OF ORGANIZATION
BANGOR CELLULAR TELEPHONE, L.P.	DELAWARE
BARAT WIRELESS, INC.	DELAWARE
BARAT WIRELESS, L.P.	DELAWARE
CALIFORNIA RURAL SERVICE AREA #1, INC.	CALIFORNIA
CARROLL PCS, INC.	DELAWARE
CARROLL WIRELESS, L.P.	DELAWARE
CEDAR RAPIDS CELLULAR TELEPHONE, L.P.	DELAWARE
CELLVEST, INC.	DELAWARE
CENTRAL CELLULAR TELEPHONES, LTD.	ILLINOIS
CHAMPLAIN CELLULAR, INC.	NEW YORK
COMMUNITY CELLULAR TELEPHONE COMPANY	TEXAS
CROWN POINT CELLULAR, INC.	NEW YORK
DUBUQUE CELLULAR TELEPHONE, L.P.	DELAWARE
EASTERN NORTH CAROLINA CELLULAR JOINT VENTURE	DELAWARE
HARDY CELLULAR TELEPHONE COMPANY	DELAWARE
HUMPHREYS COUNTY CELLULAR, INC.	DELAWARE
INDIANA RSA # 5, INC.	INDIANA
INDIANA RSA NO. 4 LIMITED PARTNERSHIP	INDIANA
INDIANA RSA NO. 5 LIMITED PARTNERSHIP	INDIANA
IOWA RSA # 3, INC.	DELAWARE
IOWA RSA # 9, INC.	DELAWARE
IOWA RSA # 12, INC.	DELAWARE
JACKSONVILLE CELLULAR PARTNERSHIP	NORTH CAROLINA
JACKSONVILLE CELLULAR TELEPHONE COMPANY	NORTH CAROLINA
KANSAS #15 LIMITED PARTNERSHIP	DELAWARE
KENOSHA CELLULAR TELEPHONE, L.P.	DELAWARE
LAB465, LLC	ILLINOIS
MADISON CELLULAR TELEPHONE COMPANY	WISCONSIN
MAINE RSA # 1, INC.	MAINE
MAINE RSA # 4, INC.	MAINE
MCDANIEL CELLULAR TELEPHONE COMPANY	DELAWARE
MINNESOTA INVCO OF RSA # 7, INC.	DELAWARE
NEWPORT CELLULAR, INC.	NEW YORK
NH #1 RURAL CELLULAR, INC.	NEW HAMPSHIRE
OREGON RSA #2, INC.	OREGON
PCS WISCONSIN, LLC	WISCONSIN
RACINE CELLULAR TELEPHONE COMPANY	WISCONSIN
TENNESSEE NO. 3, LIMITED PARTNERSHIP	TENNESSEE
TEXAHOMA CELLULAR LIMITED PARTNERSHIP	TEXAS
TEXAS INVCO OF RSA # 6, INC.	DELAWARE
TOWNSHIP CELLULAR TELEPHONE, INC.	DELAWARE
UNITED STATES CELLULAR INVESTMENT CO. OF OKLAHOMA CITY, INC.	OKLAHOMA
UNITED STATES CELLULAR INVESTMENT COMPANY, LLC	DELAWARE
UNITED STATES CELLULAR INVESTMENT CORPORATION OF LOS ANGELES	INDIANA
UNITED STATES CELLULAR OPERATING COMPANY LLC	DELAWARE
UNITED STATES CELLULAR OPERATING COMPANY OF BANGOR	MAINE
UNITED STATES CELLULAR OPERATING COMPANY OF CEDAR RAPIDS	DELAWARE
UNITED STATES CELLULAR OPERATING COMPANY OF CHICAGO, LLC	DELAWARE
UNITED STATES CELLULAR OPERATING COMPANY OF DUBUQUE	IOWA

UNITED STATES CELLULAR OPERATING COMPANY OF KNOXVILLE	TENNESSEE
UNITED STATES CELLULAR OPERATING COMPANY OF MEDFORD	OREGON
UNITED STATES CELLULAR OPERATING COMPANY OF YAKIMA	WASHINGTON
UNITED STATES CELLULAR TELEPHONE COMPANY (GREATER KNOXVILLE), L.P.	TENNESSEE
USCC DISTRIBUTION CO., LLC	DELAWARE
USCC FINANCIAL L.L.C.	ILLINOIS
USCC PURCHASE, LLC	DELAWARE
USCC REAL ESTATE CORPORATION	DELAWARE
USCC SERVICES, LLC	DELAWARE
USCC WIRELESS INVESTMENT, INC.	DELAWARE
USCCI CORPORATION	DELAWARE
USCIC OF FRESNO	CALIFORNIA
USCOC NEBRASKA/KANSAS, INC.	DELAWARE
USCOC NEBRASKA/KANSAS, LLC	DELAWARE
USCOC OF CENTRAL ILLINOIS, LLC	ILLINOIS
USCOC OF CHICAGO REAL ESTATE HOLDINGS, LLC	DELAWARE
USCOC OF CUMBERLAND, LLC	DELAWARE
USCOC OF GREATER IOWA, LLC	DELAWARE
USCOC OF GREATER MISSOURI, LLC	DELAWARE
USCOC OF GREATER NORTH CAROLINA, LLC	DELAWARE
USCOC OF GREATER OKLAHOMA, LLC	OKLAHOMA
USCOC OF JACK/WIL, INC.	DELAWARE
USCOC OF JACKSONVILLE, LLC	DELAWARE
USCOC OF LACROSSE, LLC	WISCONSIN
USCOC OF OREGON RSA # 5, INC.	DELAWARE
USCOC OF PENNSYLVANIA RSA NO. 10-B2, INC.	DELAWARE
USCOC OF RICHLAND, INC.	WASHINGTON
USCOC OF ROCHESTER, INC.	DELAWARE
USCOC OF SOUTH CAROLINA RSA # 4, INC.	SOUTH CAROLINA
USCOC OF TEXAHOMA, INC.	TEXAS
USCOC OF VIRGINIA RSA # 3, INC.	VIRGINIA
USCOC OF WASHINGTON-4, INC.	DELAWARE
USCOC OF WILMINGTON, LLC	DELAWARE
VERMONT RSA NO. 2-B2, INC.	DELAWARE
WASHINGTON RSA # 5, INC.	WASHINGTON
WESTELCOM CELLULAR, INC.	NEW YORK
WESTERN SUB-RSA LIMITED PARTNERSHIP	DELAWARE
WILMINGTON CELLULAR PARTNERSHIP	NORTH CAROLINA
WILMINGTON CELLULAR TELEPHONE COMPANY	NORTH CAROLINA
YAKIMA MSA LIMITED PARTNERSHIP	DELAWARE

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S - 3 (No.333-202271), Form S-4 (No.33-41826) and Form S-8 (Nos.333-42366, 333-105675, 333-161119, 333-188966 and 333-190331) of United States Cellular Corporation of our report dated February 24, 2016 , relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10 - K.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
February 24, 2016

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of United States Cellular Corporation:

1. Registration Statement (Form S-3 No. 333-202271),
2. Registration Statement (Form S-4 No. 33-41826),
3. Registration Statement (Form S-8 No. 333-42366),
4. Registration Statement (Form S-8 No. 333-105675),
5. Registration Statement (Form S-8 No. 333-161119),
6. Registration Statement (Form S-8 No. 333-188966), and
7. Registration Statement (Form S-8 No. 333-190331);

of our report dated February 24, 2016 , with respect to the consolidated financial statements of Los Angeles SMSA Limited Partnership and Subsidiary included in this Annual Report (Form 10-K) of United States Cellular Corporation for the year ended December 31, 2015 .

/s/ Ernst & Young LLP
Certified Public Accountants

Orlando, Florida
February 24, 2016

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-202271), Form S-4 (No. 33-41826), and in the Registration Statements on Form S-8 (Nos. 333-42366, 333-105675, 333-161119, 333-188966, and 333-190331) of United States Cellular Corporation of our report dated February 28, 2014, relating to the financial statements of Los Angeles SMSA Limited Partnership for the year ended December 31, 2013, appearing in the Annual Report on Form 10-K of United States Cellular Corporation for the year ended December 31, 2015.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 24, 2016

Certification of principal executive officer

I, Kenneth R. Meyers, certify that:

1. I have reviewed this annual report on Form 10-K of United States Cellular Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - A. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - B. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - C. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - D. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - A. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - B. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2016

/s/ Kenneth R. Meyers

Kenneth R. Meyers
President and Chief Executive Officer
(principal executive officer)

Certification of principal financial officer

I, Steven T. Campbell, certify that:

1. I have reviewed this annual report on Form 10-K of United States Cellular Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - A. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - B. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - C. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - D. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - A. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - B. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2016

/s/ Steven T. Campbell

Steven T. Campbell
Executive Vice President-Finance,
Chief Financial Officer and Treasurer
(principal financial officer)

**Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code**

I, Kenneth R. Meyers, the principal executive officer of United States Cellular Corporation, certify that (i) the annual report on Form 10-K for the year ended December 31, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of United States Cellular Corporation.

/s/ Kenneth R. Meyers

Kenneth R. Meyers

February 24, 2016

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to United States Cellular Corporation and will be retained by United States Cellular Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code**

I, Steven T. Campbell, the principal financial officer of United States Cellular Corporation, certify that (i) the annual report on Form 10-K for the year ended December 31, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of United States Cellular Corporation.

/s/ Steven T. Campbell

Steven T. Campbell

February 24, 2016

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to United States Cellular Corporation and will be retained by United States Cellular Corporation and furnished to the Securities and Exchange Commission or its staff upon request.