

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D. C. 20554

In re Applications of)
)
La Star Cellular Telephone Company) CC Docket No.
) 90-257
for construction permit for facilities)
on Block B in the Domestic Public)
Cellular Radio Telecommunications Service)
in the New Orleans, Louisiana MSA)
)
and)
)
New Orleans CGSA, Inc.)
)
To amend its construction permit)
for facilities operating on Block B in)
the Domestic Public Cellular Radio)
Telecommunications Service,)
Call Sign KNK224, in the)
New Orleans, Louisiana MSA)

To: Honorable Joseph Chachkin
Administrative Law Judge

UNITED STATES CELLULAR CORPORATION
EXHIBIT NUMBER 1

Alan Y. Naftalin
Herbert D. Miller, Jr.

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SUITE 1000
1150 CONNECTICUT AVENUE, N. W.
WASHINGTON, D. C. 20036
Its attorneys

March 14, 1991

STATEMENT OF H. DONALD NELSON

I am the President of United States Cellular Corporation (USCC). USCC, a subsidiary of Telephone and Data Systems, Inc. (TDS), was founded in December of 1983 and has grown rapidly since that time. In 1988, USCC "went public" and its common stock has been traded on the American Stock Exchange since May 4, 1988.¹ Our service revenues have grown as follows:

Year	Service Revenues	Change	Percent Change
1985	\$1,115,405		
1986	\$5,679,797	\$4,564,392	409%
1987	\$8,442,329	\$2,762,532	49%
1988	\$13,795,495	\$5,353,166	63%
1989	\$33,214,848	\$19,419,353	141%
1990	\$55,489,797	\$22,274,949	67%

At the end of 1989, we had four hundred and eight employees; at the end of 1990, we had six hundred and sixty five employees, an increase of sixty three percent. USCC presently owns, operates or invests in cellular systems in one

¹ USCC's parent, TDS, was founded in 1969, and has been traded on the American Stock Exchange since 1981. TDS' primary business interests are its seventy-four telephone companies operating in twenty-seven states; USCC; American Paging, Inc., and various associated service companies.

hundred metropolitan and rural areas.² Cellular systems in which USCC has an interest are operational in eighty-eight such areas. USCC manages forty-five systems, including all but one³ of the systems in which it has majority interests, eight of the systems in which it has minority interests, and five other systems in which it⁴ has no equity interest. Table I on the following pages summarizes the interests (five percent or greater) in cellular permittees or licensees now held by USCC. A copy of USCC's most recent (1989) Annual Report to Stockholders is provided as Attachment A to this Statement.

² TDS has, in addition, interests in thirty-one additional cellular systems which it is expected will be transferred to USCC.

³ USCC has a 52 percent interest, as a limited partner, in Baton Rouge MSA Limited Partnership, the wireline cellular licensee in the Baton Rouge, Louisiana MSA. That system is managed by the general partner, Bell South Mobility, Inc., which has a 40 percent general partnership interest and an 8% limited partnership interest.

⁴ In three of the five cases, TDS owns an interest; it is anticipated that TDS' interests will eventually be transferred to USCC

Table 1

USCC Interests in Cellular Permittees or Licensees

Cellular Market	RSA No.	Year Acquired	USCC Interest	Managed by USCC	Date Operational
Alexandria LA		1988	100.00%	yes	Mar 88
Allentown PA		1985	8.12%	no	
Asheville NC		1986	98.51%	yes	Oct 87
Atlantic City NJ		1986	7.34%	no	
Audubon IA	IA-7	1990	100.00%	yes	Dec 90
Bangor ME		1988	55.96%	yes	Aug 88
Baton Rouge LA		1987	52.00%	no	
Boctham OK	OK-7	1990	34.00%	yes	
Biloxi/Pascagoula MS		1985	49.00%	no	
Bledsoe TN*	TN-7	1990	100.00%	yes	
Boundary ID**	ID-1	1990	25.00%	no	
Bremerton WA		1990	6.25%	no	
Burlington NC		1986	7.37%	no	
Cedar Rapids IA		1987	60.85%	yes	Aug 88
Charleston-N Char SC		1985	23.31%	no	
Cheboygan MI*	MI-4	1990	100.00%	yes	
Chippewa MN**	MN-7	1990	6.25%	no	
Columbia MO		1988	100.00%	yes	Aug 88
Coos NH*	NH-1	1990	100.00%	yes	
Davenport/Rock Isl/Moline IL		1989	94.74%	yes	Dec 87
Des Moines IA		1986	40.00%	yes	Sept 87
Dubuque IA		1989	50.01%	yes	Jan 89
Early GA*	GA-13	1990	100.00%	yes	
Eau Claire WI		1986	33.50%	no	
Elkhart/Goshen IN		1986	7.40%	no	
Evansville IN		1987	75.00%	yes	Dec 87
Fayetteville NC		1986	7.37%	no	

Ft Pierce FL		1987	80.00%	yes	Feb 88
Ft Smith AR		1987	20.00%	no	
Galveston TX		1987	7.47%	no	
Garvin OK	OK-9	1990	100.00%	yes	
Giles TN*	TN-6	1990	100.00%	yes	
Grays Harbor WA	WA-4	1989	100.00%	yes	Sept 90
Green Bay WI		1986	12.89%	no	
Hawaii HI	HI-3	1989	100.00%	yes	July 90
Henderson NC*	NC-4	1990	100.00%	yes	
Hoke NC*	NC-11	1990	100.00%	yes	
Hood River OR*	OR-2	1989	16.67%	yes	Dec 90
Hubbard MO**	MO-6	1990	25.00%	yes	
Humboldt IA	IA-10	1990	100.00%	yes	Dec 90
Huntsville AL		1986	9.80%	no	
Jack TX	TX-6	1989	13.50%	no	
Joplin MO		1986	49.67%	yes	Oct 87
Knoxville TN		1984	96.03%	yes	June 85
La Crosse WI		1987	52.08%	yes	Aug 88
Lac Qui Parle MN	MN-8	1990	10.00%	no	
Lafayette LA		1987	5.36%	no	
Lawrence PA	PA-6	1990	7.00%	no	
Lawton OK		1986	100.00%	yes	June 88
LeSueur MN**	MN-10	1990	6.25%	no	
Lewiston/Auburn ME		1987	75.06%	yes	Apr 88
Los Angeles CA		1984	5.50%	no	
Macon TN	TN-3	1990	16.67%	yes	
Manchester-Nashua NH		1987	33.51%	yes	Apr 88
Meade KY**	KY-3	1990	20.00%	no	
Medford OR		1988	73.78%	yes	Jan 89
Miami IN	IN-4	1990	14.29%	yes	
Mitchell IA	IA-13	1990	100.00%	yes	Nov 90
Monongalia WV	WV-3	1990	12.59%	no	
Monroe IA	IA-3	1989	49.00%	yes	Mar 90

Nashville/Clarksville TN		1985	49.00%	no	
Newton TX**	TX-17	1990	14.78%	no	
Oklahoma C'ity OK		1985	14.60%	no	
Owensboro KY		1987	57.30%	yes	June 88
Oxford ME**	ME-1	1990	100.00%	yes	
Oxnard CA		1984	5.50%	no	
Pacific WA	WA-6	1989	49.00%	yes	Nov 89
Peoria IL		1986	100.00%	yes	Nov 87
Pipestone MN**	MN-9	1990	6.67%	no	
Pitt NC	NC-14	1990	49.00%	yes	
Polk AR	AR-9	1990	49.00%	yes	
Portsmouth-Dover-Rochester ME-NH**		1986	40.00%	no	
Poughkeepsie NY		1987	72.72%	yes	Dec 87
Richland/Kennewick/Pasco WA		1988	100.00%	yes	Feb 89
Rochester MN		1987	69.31%	yes	June 88
Rockford IL		1987	17.80%	no	
Savannah GA		1988	7.84%	no	
Seattle-Everett Washington		1990	6.25%	no	
South Bend/Mishawaka IN		1986	7.40%	no	
St. Cloud MN		1986	14.29%	yes	Nov 87
Tacoma WA		1990	6.25%	no	
Trempealeau WI	WI-6	1990	100.00%	yes	Dec 90
Tucker WV	WV-5	1990	49.00%	yes	
Tulsa OK		1984	55.06%	yes	Aug 85
Umatilla OR*	OR-3	1989	11.11%	yes	Dec 90
Union PA	PA-8	1990	88.72%	yes	Dec 90
Vernon WI**	WI-8	1990	100.00%	yes	Dec 90
Vineland/Millville/Bridgeton NJ		1987	65.47%	yes	Oct 88
Warren IN*	IN-5	1990	33.33%	yes	
Washington ME*	ME-4	1990	66.66%	yes	
Waterloo/Cedar Falls IA		1988	74.26%	yes	Sept 88
Wausau WI		1987	71.76%	yes	Oct 88
Wayne PA	PA-5	1990	7.00%	no	

Wheeling WV		1987	9.35%	no	
Wichita Falls TX		1986	49.66%	yes	Jan 88
Williams OH*	OII-1	1990	75.00%	yes	
Williamsport PA		1988	88.72%	yes	Dec 88
Wilson TX	TX-20	1990	100.00%	yes	
Winneshick IA	IA-12	1990	24.50%	yes	Nov 90
Wood WI**	WI-7	1990	6.71%	no	

NOTES

* Transfer of control from TDS to USCC pending. Date of Acquisition shown is for TDS

** Owned by TDS, and will ultimately be transferred to USCC

Dates of acquisition shown are for the first interest acquired

Dates operation commenced are shown only for cellular systems managed by US

USCC's primary business purpose is to construct cellular systems for itself and for others, to provide management services for itself and for others, and to monitor the construction and operation of those cellular systems in which it has an investment interest but which it has not been engaged to construct or manage. Since 1983, we have put forty-five new cellular systems on the air. A year by year summary is provided below:

Year	Number of Systems Built
1983	0
1984	0
1985	2
1986	0
1987	7
1988	18
1989	4
1990	14

TDS has normally consulted USCC in connection with acquisitions of cellular interests, but the negotiations leading to those acquisitions have generally been conducted by TDS personnel and counsel. Other USCC personnel and I have been fully occupied with getting cellular systems operational and thereafter with managing them, and have devoted little time to the details of the acquisitions handled by TDS.

In August 1987, USCC acquired all of the stock of Star Cellular Telephone Company (Star), which held a 24.5 percent limited partnership interest in Baton Rouge MSA Limited Partnership (Baton Rouge MSA LP), the wireline cellular licensee in the Baton Rouge, Louisiana MSA. In 1988, USCC also acquired all of the stock of Data & Telecommunications, Inc. (Data) from East Ascension Telephone Company. Data owned a 27.5 percent limited partnership interest in Baton Rouge MSA LP. I was not personally involved in the negotiations which led to the acquisition of either company. However, I have reviewed the pertinent transaction documents in connection with the preparation of this statement.

The net result of these two transactions was to give USCC a 52 percent limited partnership interest in the Baton Rouge wireline cellular system. The consideration paid for Star was TDS common stock valued at \$2,460,445. The consideration paid for Data was TDS common stock valued at \$2,965,000.

Bell South Mobility, Inc. holds a 40 percent general partnership interest, and an 8 percent limited partnership interest, in Baton Rouge MSA

LP, and operates the Baton Rouge wireline cellular system for Baton Rouge MSA LP. Even though USCC owns a majority economic interest in the Baton Rouge licensee, it has not played an active role in the construction, operation or management of the Baton Rouge cellular system, beyond paying more than \$5,885,000 to Bell South Mobility, Inc. as USCC's share of Baton Rouge construction and operating costs, and beyond comparing those costs with its own and complaining to Bell South Mobility that they have been well in excess of similar costs experienced by USCC in the cellular markets which USCC has constructed and/or operated

In addition to its interest in the Baton Rouge wireline cellular system, Star owned a minority (49 percent) interest in a joint venture, La Star Cellular Telephone Company. That interest, which USCC acquired incident to acquisition of the Baton Rouge interest, was (and remains) far less important than the Baton Rouge interest. La Star's only asset was (and remains) an application pending before the Commission to construct a new cellular system in St. Tammany Parish, and La Star's right to have the application considered by the Commission was vigorously disputed by NOCGSA. The total consideration paid for Star and Data was \$5,425,445. Of the total amount

paid. \$5,098,445 (94 percent) was attributable to the limited partnership interest in Baton Rouge MSA LP; only \$327,000 was attributable to the minority interest in La Star⁵. When USCC "went public" in 1988, the prospectus said only the following about the Star acquisition:

"Acquisitions During 1987. The Company purchased a 24.5% interest in the Baton Rouge, Louisiana cellular system for an aggregate value of \$2,460,445. The purchase price was paid by the delivery of 90,639 TDS Common Shares.

Acquisitions During 1988. On May 16, 1988, the Company purchased an additional 27.50% limited partnership interest in the Baton Rouge, Louisiana cellular system for an aggregate value of approximately \$2,965,000. The purchase price was paid by the delivery of 161,782 TDS Common Shares."

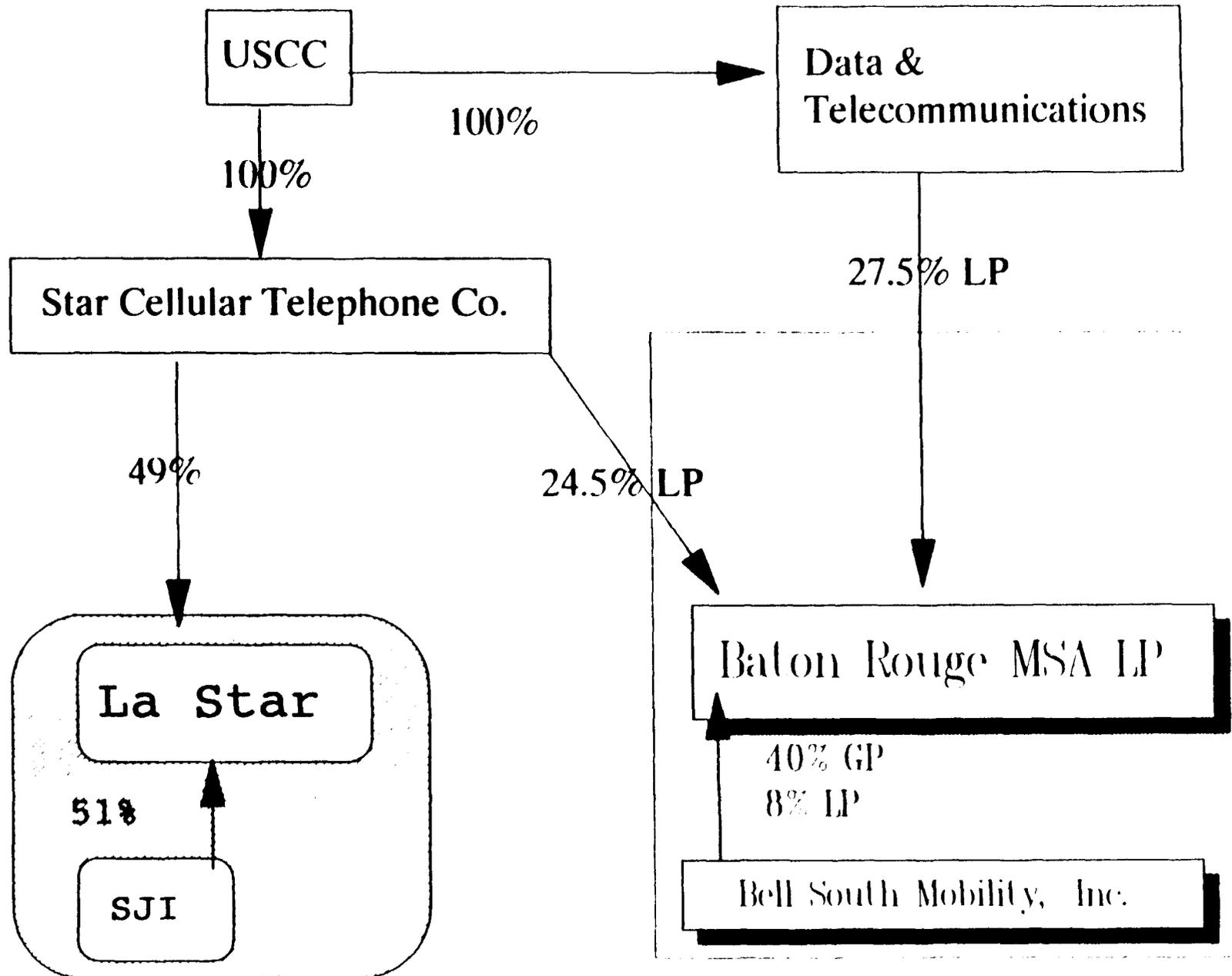
USCC's position in the Baton Rouge cellular market has been mentioned in each of USCC's Annual Reports to Stockholders; the La Star interest has never been mentioned in any of USCC's Annual Reports to Stockholders.

⁵ We paid more per percentage point of the Baton Rouge system acquired through Data (\$107,818) than we paid per percentage point acquired through Star (\$100,426), even if the entire cost of Star is attributed to the Baton Rouge interest.

Since USCC acquired its minority interest in La Star, USCC has paid a total of \$513,000 as its share of La Star's litigation and other expenses. The La Star interest is currently carried on USCC's books at \$840,000, representing approximately three tenths of one percent of USCC's total assets.

The various ownership interests acquired in connection with Star are as depicted in Table II on the following page.

Table II



By August of 1987, when USCC acquired its minority interest in La Star, MobileTel, Inc., a subsidiary of SJI, had become the wireline cellular licensee in the Houma-Thibodaux MSA, consisting of Terrebonne and Lafourche parishes. MobileTel later became the wireline permittee in Louisiana RSAs 8 and 9. Based on these facts, as well as on my brief discussions with Mr. John Brady,⁶ it is my understanding that southeastern Louisiana is SJI's base of operations, and that SJI has no interest in selling La Star or any of its other cellular interests in southeastern Louisiana. While USCC has historically been active in increasing its cellular holdings throughout the country, and would most likely consider any offer by SJI (or, for that matter, anyone else) to sell any or all of its cellular holdings at reasonable prices, we have never had any wish to usurp control of La Star.

USCC holds investment interests in forty-four operational systems, which it does not manage. My level of involvement in such systems, once they have become operational, is typically no more than one half day per year for

⁶ I had neither met, nor spoken on the telephone with, anyone associated with SJI prior to August, 1987, when I first met Messrs John A. Brady, Jr., James (Pat) Brady, and Sinclair H. Crenshaw at TDS' offices in Chicago, Illinois.

systems in larger markets, such as Los Angeles, Nashville, and Oklahoma City. I typically give the smaller markets which we do not manage even less personal attention, and delegate oversight to our Partnership Relations personnel. They generally attend the partnership meetings on behalf of USCC, either in person or by telephone. I anticipate that, once the La Star system becomes operational, most of our input will be from our Partnership Relations personnel, and that I will have even less involvement than at present.

La Star, generally through its counsel, Mr. Belendiuk, has from time to time asked USCC for assistance in matters as to which our expertise in constructing and operating cellular systems might be useful, and we have provided assistance in response to those requests. I never gave Mr. Belendiuk directions or instructions on what to do, and I never challenged his decisions after the fact; neither has Mr. Meyers, the other USCC member of the La Star Management Committee. To the best of my knowledge, no other USCC employee has done so, and to the best of my knowledge, Mr. Belendiuk has never asked us for directions or instructions.

Aside from asking USCC personnel to respond helpfully to Mr. Belendiuk's requests for assistance, I have had very little personal involvement, and have taken very little personal interest, in the La Star matter. During the past several years, I, like other USCC employees, have been kept extremely busy, and generally over-extended, doing what had to be done to get the cellular systems for which we are responsible operational and working well. My typical work day begins before 8:00 a.m. and ends after 6:00 p.m. I travel extensively, and typically spend two or three days per week away from my office, out of town. In 1990, I was out of town for business on approximately ninety days. I have always viewed the La Star matter as a trivial aspect of USCC's business, for which people other than USCC employees have been primarily responsible, and I have devoted only the minimal time necessary to it; I have not sought opportunities to do more. I do not believe that any La Star activity to date of which I have become aware would have justified my attendance, or the attendance of the other USCC member, Mr. Kenneth R. Meyers, at a La Star management committee⁷ meeting in Louisiana or

⁷ Mr. Meyers and I are the USCC members of the La Star Management Committee. As of the end of 1990, I was a member of the management committee, board of directors, or similar body, or an officer, of entities which own interests in one hundred cellular markets.

elsewhere outside of Chicago. Nor do I believe that any La Star activity to date would have justified any more time than I devoted to it. I believe that the time which I have devoted to the "control" issue in the present hearing, attributable to my deposition and hearing testimony, has been greater by a substantial multiple than all of my other involvement in the La Star matter.

Following release of the *Hearing Designation Order* in CC Docket Number 90-257, Mr. Belendiuk recommended that changes be made to the Joint Venture Agreement. Based upon brief discussions with USCC's counsel and also with Mr. Belendiuk, I understood that SJI was willing to release USCC from the obligation to pay all expenses as provided in the original (1983) La Star Joint Venture Agreement, and to pay 51 percent of all expenses thereafter incurred by La Star in prosecution of its St. Tammany Parish cellular application, if La Star would not have to reimburse USCC for any expenses USCC (or Star) had previously met under the 1983 agreement. The proposed change in financial arrangements was of little consequence as far as I was concerned, and I had no objection to it. In connection with the preparation of this statement, I spoke with USCC counsel and confirmed that

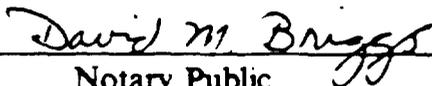
my understanding of the intended effect of this change to the Joint Venture Agreement is accurate.

At the same time, I was also advised that Mr. Belendiuk had recommended deletion of certain "supermajority" provisions contained in the 1983 La Star Joint Venture Agreement. In a declaration I had supplied at Mr. Belendiuk's request in 1988, I had expressed USCC's willingness to agree to the deletion of any of the supermajority provisions if the Commission deemed them contrary to its rules or policies. USCC had never exercised any of the supermajority provisions. I thought it unlikely that we would ever attempt to do so in the future, and I did not care whether they were taken out or left in. I therefore had no problem with the recommendations.

When the Joint Venture Agreement amendment was sent to me for execution on behalf of USCC, I believed it to have been reviewed and approved by USCC's counsel as well as by Mr. Belendiuk. I therefore signed it with no more than a very cursory reading, assuming that the points we had discussed had been adequately covered.

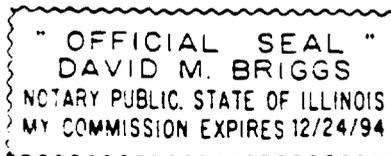

H. Donald Nelson

Subscribed and sworn to before
me this 13th day of March, 1991


Notary Public

My commission expires on

12/24/94



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IN THE CHANCERY COURT
OF FRANKLIN COUNTY, MISSISSIPPI

FRANKLIN TELEPHONE COMPANY, INC.;)
DELTA TELEPHONE COMPANY, INC.;)
POTASI COMPANY; WADE H. CREEKMORE,)
SR.; WADE H. CREEKMORE, JR., and)
JAMES H. CREEKMORE,)

Plaintiffs,)

-VS-

Cause No. 10,360

TELEPHONE AND DATA SYSTEMS, INC,)
and UNITED STATES CELLULAR)
OPERATING COMPANY OF BILOXI,)

Defendants.)

The 30(b)(6) deposition of H. DONALD NELSON, called by the plaintiffs for examination, pursuant to Notice and pursuant to the Rules of the Code of Civil Procedure for the Chancery Court of Franklin County, Mississippi, pertaining to the taking of depositions, taken before Dianne M. Sofiak, Certified Shorthand Reporter and Notary Public within and for the County of Cook and State of Illinois, at 69 West Washington Street, Suite 3300, Chicago, Illinois, on the 30th day of October, 1989, at 9:30 o'clock a.m.

1 formed between the TDS interests and the Creekmores
2 interests.

3 A. Okay.

4 Q. So having identified the company, and let me
5 just refer to it as CSI, if I may, Cellular South,
6 Incorporated, having identified the company, can you
7 tell me in what sense FCC licenses to operate cellular
8 telephone service in Mississippi RSA's 4, 5, 6 and 11
9 would be valuable assets for CSI?

10 A. The valuation of the FCC license to provide
11 cellular service is valuable anywhere. It's
12 particularly valuable in this area because it's in a
13 state.

14 Many of the markets that you mentioned
15 are adjacent to the business entity that you've
16 described as Cellular South. Anything that's adjacent
17 to an operating area becomes even more valuable.
18 Anything that is adjacent to an existing market and has
19 interstate roads is extremely valuable.

20 Q. I think you said that licenses are valuable
21 anywhere. Can you explain that answer for me as to why
22 a FCC license to operate a cellular service is valuable
23 anywhere.

24 A. The original number of people who filed for a

1 there a difference between a cluster and a network?

2 A. Yes.

3 Q. Let's start with a cluster. What's a cluster?

4 A. A cluster is where you have some markets that
5 are either close to each other or adjacent to each
6 other, could be a cluster of markets.

7 In the MSA terms this meant such markets
8 as Biloxi/Pascagoula. That would be a cluster. Now if
9 you could have a bigger cluster, you'd add New Orleans
10 to that and Mobile to that. That would be a larger
11 cluster.

12 Q. What's a network?

13 A. A network is how you telephonewise tie those
14 together with your switch and then how you tie into the
15 public network, how do you get into the telephone
16 system.

17 Another element of networking is where
18 you keep your -- if you will, take the pulse of each
19 cellular unit through a technical assistance center
20 network. Network is just a way you tie things
21 together, a term for that.

22 Q. What was the last?

23 A. Technical assistance center.

24 Q. Is a network generally operated from a single

1 I believe you did say South Carolina, do you mean South
2 Carolina or North Carolina?

3 A. I don't know. I guess it's that time of the
4 day. I'm not sure whether it's North or South.

5 If it's Greensboro, North Carolina,
6 you're probably right because it's next to Burlington.
7 Correct, it's North Carolina not South Carolina. Thank
8 you for that correction.

9 Q. When TDS began the process of negotiating the
10 markets which are involved in Exhibit 50, did TDS have
11 a set of objectives that it set for itself?

12 A. Yes.

13 Q. Do you remember what those objectives were?

14 A. Two very simple ones: to maximize the
15 operating positions and to assure our joint venture
16 partners significant participation.

17 Q. What do you mean by maximizing operating
18 positions?

19 A. We had determined that being a minority in a
20 market was not exactly -- Well, it was a financial
21 responsibility and a financial commitment, but that's
22 all it would be under the Bell Operating Company
23 approach.

24 So, therefore, we wanted to be the