

**ALLTEL CORPORATION**

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October 28, 2003

Mr. Larry Smith  
Director of Technical Application & Implementation Activities  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Dear Mr. Smith,

ALLTEL Corporation (“ALLTEL” or the “Company”) understands that the Financial Accounting Standards Board (“FASB”) at its October 29<sup>th</sup> meeting will consider delaying certain provisions of Statement of Financial Accounting Standards (“SFAS”) No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, (“SFAS No. 150” or the “Standard”). ALLTEL expresses its support for deferral of the effective date of this Standard and also strongly encourages the FASB to reconsider its conclusions regarding the application of the Standard to limited life partnerships for the reasons outlined below. Should the FASB reaffirm its original conclusions that consolidated limited life partnerships are within the scope of SFAS No. 150, ALLTEL believes that the FASB should, at a minimum, defer the effective date and provide additional implementation guidance concerning the measurement of the minority interest liability to ensure that the Standard is applied consistently by all affected public companies.

ALLTEL provides wireless, local telephone, long-distance, Internet and high-speed data services to over 12 million residential and business customers in 26 states. Wireless communications services are provided through use of spectrum licenses granted by the Federal Communications Commission (“FCC”). Due to various methods used by the FCC to initially issue the spectrum licenses, ALLTEL, like several other carriers in the wireless communications industry, operates a portion of its wireless business through participation in numerous partnerships that legally own the FCC licenses. Currently, ALLTEL, through its majority ownership, consolidates over 60 partnerships in reporting its consolidated results of operations. Certain of these partnerships contain a contractual provision requiring liquidation of the partnership and distribution of the net assets at a specified future date, usually 50 or 99 years after formation. Because the related minority interests of these consolidated partnerships would technically meet the definition of a mandatorily redeemable security under the current provisions of SFAS No. 150, ALLTEL would be required to account for the minority interests of these partnerships at settlement value.

Conversely, for the Company's infinite-lived partnerships, no change in accounting for the minority interests would be required as a result of SFAS No. 150.

Whether an individual partnership's life is finite or infinite is generally determined based on state statutory requirements for partnerships and for tax reasons. Consequently, two partnerships with identical operating structures, operating in the same geographic areas under the same regulatory and legal environments would result in vastly different accounting treatments under SFAS No. 150, dependent solely upon whether the partnership agreement specifies a liquidation date. All partnerships, both finite and infinite-lived, are operating companies. Such business operations represent an integral component of ALLTEL's business model and are necessary in order to provide wireless service to our customers. Therefore, the underlying business operations of the partnerships, regardless of whether a liquidation date is specified in the partnership agreement, are considered by ALLTEL to be going concerns, and are considered to have perpetual lives. Accordingly, ALLTEL believes that its partnerships, in substance, have infinite lives and that the liquidation date is not viewed to be substantive by either the majority or minority interest. Basing the accounting treatment of minority interests of partnerships solely on the inclusion of a non-substantive provision of the partnership agreement seems inconsistent with the FASB's emphasis on issuing principles-based accounting standards. In addition, ALLTEL believes that the inconsistency in financial reporting for ALLTEL's infinite and finite-lived partnerships that would result from application of SFAS No. 150, unless modified, would significantly impair a reader's understanding of ALLTEL's consolidated results of operations. Comparability of reported financial information among wireless carriers would also be adversely affected depending upon each carrier's composition of infinite and finite-lived partnerships.

SFAS No. 150 also requires reporting changes in the settlement value of mandatorily redeemable securities as interest income or interest expense in the consolidated results of operations of a parent company. This accounting treatment seems inherently inconsistent with the concept of minority interests, which do not represent interest expense to the parent company. Minority interests represent the ownership interest of minority partners in the underlying business, including the related assets, the most important and valuable of which is the spectrum license granted by the FCC. The original FCC license granted to the partnership has a nominal carrying value. Therefore, reporting the minority interests at fair value without also reporting the underlying assets of the partnership at fair value results in significant distortion of the parent company's consolidated financial position and eliminates the direct correlation between the operating results of the partnership and the minority interest expense recognized in the parent company's consolidated financial statements. The Company believes that if the FASB reaffirms its conclusion that only changes in the settlement value of the minority interest in consolidated partnerships should be recognized in the financial statements of the parent company, then such changes in settlement value should be reported as a component of other comprehensive income and not as an "interest cost". In paragraphs B93 and B94 of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, the FASB noted that the rationale for reporting unrealized holding gains and losses on available-for-sale securities outside of earnings was that for enterprises that consider both securities and liabilities in managing interest rate risk, "reporting unrealized gains and losses on only the investments, and not related liabilities, in earnings has the potential for significant volatility that is unrepresentative of both the way they

manage their business and the impact of economic events on the overall enterprise.” This same rationale would also apply to wireless carriers operating partnerships with finite lives.

If after consideration of the above comments, the FASB still concludes that limited lived partnerships are within the scope of SFAS No. 150 and that the minority interests associated with such partnerships should be measured at settlement value and recognized in earnings of the parent company, ALLTEL requests that the FASB provide implementation guidance on the following topics:

- SFAS No. 150 does not provide guidance on the appropriate methodology to be used to calculate settlement value. As discussed above, the settlement value of the partnership minority interest is derived from the fair value of the underlying assets, in particular the spectrum licenses. In turn, for the parent company, the value of spectrum licenses is dependent upon the holder’s national network of licenses, as recognized by the Emerging Issues Task Force (“EITF”) in EITF Issue No. 02-07, *Unit of Accounting for Testing Impairment of Indefinite-Lived Intangible Assets*. The EITF concluded that wireless carriers should aggregate their FCC licenses and calculate fair value based on the national scope of the licenses. Therefore, determining the fair value of any one FCC license, and thus the settlement value of any single partnership, would be inherently imprecise and in the aggregate may not necessarily reconcile to values assigned under EITF 02-07. This imprecision will result in a lack of comparability between entities in the wireless industry.
- Accounting for the minority interest in a partnership at settlement value while accounting for the underlying assets at historical cost conflicts with the existing guidance related to step acquisitions. Wireless carriers frequently purchase the remaining noncontrolling interest in their operating partnerships from the minority partners. Paragraph 14 of SFAS No. 141, *Business Combinations*, states that purchases of the noncontrolling interests in a subsidiary should be accounted for using the purchase method, which requires the proportional interest acquired in the assets and liabilities of the subsidiary to be recognized at fair value. However, if the minority interest has been recorded at settlement value, then its derecognition will result in no step-up in basis of the assets and liabilities of the partnership in the majority partner’s financial statements. This result is inconsistent with the purchase accounting guidance in SFAS No. 141. If minority interests are no longer governed by SFAS No. 141, then the accounting treatment for acquisitions of noncontrolling interests will vary significantly solely depending upon whether the partnership is finite or infinite-lived.
- SFAS No. 150 does not provide guidance on the accounting for mandatorily redeemable securities that no longer become mandatorily redeemable due to the occurrence of a particular future event. The partnership agreements for ALLTEL’s partnerships, including those with finite lives, are amended by the partners, from time to time, for valid business reasons. Such amendments may include changing the life of a partnership from finite to infinite. Furthermore, had companies been afforded more time to assess the impact of SFAS No. 150 upon adoption, certain partnership agreements could potentially have been amended to remove the finite life provisions. Accordingly, the FASB should provide guidance regarding the appropriate accounting for minority interests, if, after adoption of SFAS No. 150, a partnership agreement is amended to eliminate the finite-life provision.

We appreciate your consideration of our comments.

Sincerely,

/s/ Jeffery R. Gardner  
Jeffery R. Gardner  
Executive Vice President – Chief Financial Officer

/s/ Sharilyn S. Gasaway  
Sharilyn S. Gasaway  
Controller