Mailing Address: P.O. Box 628010

Street Address:

Middleton, WI 53562-8010 8401 Greenway Boulevard Middleton, WI 53562

Office: 608-664-8600 Fax: 608-664-8288



Telephone and Data Systems, Inc.

August 4, 2008

Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116



LETTER OF COMMENT NO. 27

Re:

File Reference 1600-100

Exposure Draft - Disclosure of Certain Loss Contingencies - an amendment of FASB

Statements No. 5 and 141(R)

Dear Sir/Madam:

This letter is being written on behalf of Telephone and Data Systems, Inc. ("TDS") regarding the FASB's project on disclosure of certain loss contingencies. TDS is a diversified telecommunications corporation founded in 1969. Through its business units, U.S. Cellular and TDS Telecom, TDS operates primarily by providing wireless, local telephone and broadband services. The Company's 2007 revenues were approximately \$4.8 billion. TDS employs 11,800 people and serves approximately 7 million customers in 36 states.

In general, TDS strongly opposes the changes proposed in the Exposure Draft. We believe that the current disclosure requirements in FASB Statement No. 5 provide users of financial statements with adequate, meaningful information. TDS believes that the changes suggested in the proposed Statement would be extremely prejudicial to companies, mislead investors and potential investors, could require or result in the disclosure of privileged and confidential attorney-client communications and protected work product, be used against the company as evidence or an admission, provide information to claimants that could very well change the outcome, timing and/or cost of litigation to the advantage of the claimant and the disadvantage of the company, and interfere with and potentially prevent the ability to effect settlements. The proposed changes would result in accounting requirements interfering with and undermining the deliberately and carefully designed process of litigation that has been developed in the United States under federal and state constitutions, laws, rules and practices. We believe the costs of such proposed changes far outweigh any potential benefits. Furthermore, we believe that the proposed changes may require or result in disclosure that is misleading, unreliable and not meaningful.

Following are TDS' responses to certain questions for which the FASB requested feedback:

Will the proposed Statement meet the project's objective of providing enhanced disclosures about loss contingencies so that the benefits of those disclosures justify the incremental cost? No. In general, the proposed Statement would require enhanced disclosure about loss contingencies, but at a very significant cost to the company that will ultimately have to be incurred by the shareholders and investors that the disclosures are supposed to benefit. The proposed disclosures would primarily benefit plaintiffs and others claimants who have adverse interests to the company and, as a result, would be adverse to such shareholders and investors. In addition to the higher accounting and auditing costs, such costs would include higher legal costs and would likely result in larger judgment and settlement costs to the company, which could be very substantial and could dwarf any potential benefits of the disclosures to shareholders and investors.

This is because the proposed Statement would require disclosure of information that would be extremely prejudicial. This includes information about factors that are likely to affect the ultimate outcome of the contingency along with the potential impact on the outcome; the entity's qualitative assessment of the most likely outcome of the contingency; and significant assumptions made by the entity in estimating the amounts disclosed in paragraph 7(a) of the proposed Statement and in assessing the most likely outcome. Such disclosure would open up confidential company information to the claimant that would reveal the company's privileged and confidential judgments, tactics and strategy relating to the dispute. The claimant could also potentially use the disclosure as an admission by the company or as evidence against the company in litigation or other adverse proceeding. Such disclosures, or representations to the auditors to permit them to audit the disclosures, could also result in a waiver of the attorney-client privilege or work product protection, which could cause a court to require other disclosures to the claimant. In addition, if the company was wrong in its assessment of the most likely outcome, this could trigger liability to the company from users of the financial statements.

Furthermore, we specifically do not think that additional disclosures concerning "remote" loss contingencies will provide any additional benefit to financial statement users. Disclosing items that are only remotely possible of occurrence may, in fact, even be misleading to financial statement users, since those disclosures would not be reliable projections of future cash flows.

Should an entity be required to provide disclosures about loss contingencies, regardless of the likelihood of loss, if the resolution of the contingencies is expected to occur within one year of the date of the financial statements and the loss contingencies could have a severe impact upon the operations of the entity? No. First, if management has fully evaluated the potential loss and determined that the likelihood of loss is remote, disclosure should not be required. The severity of loss is irrelevant if the likelihood of loss is remote. Second, such a disclosure may create a self-fulfilling prophesy. Although the company may believe that the possibility of a severe impact is remote, it would be required to disclose that a contingency expected to be resolved in the near term "could" have a "severe impact". Such a disclosure could provide information, leverage and encouragement to plaintiffs that could cause the remote contingency to become reasonably possible or even probable. The disclosure itself could change the outcome.

The Board decided to require entities to disclose the amount of claim or assessment against the entity, or, if there is no claim or assessment amount, the entity's best estimate of maximum possible exposure to loss. Do you believe that this change would result in an improvement in the reporting of quantitative information about loss contingencies? If a loss contingency does not have a specific claim amount, will an entity be able to provide a reliable estimate of the maximum exposure to loss...that is meaningful to users? A disclosure of the existence of claims or assessments that are public (litigation filed, certain governmental assessments, etc.), may not be too problematic, since this information is in public records. However, due to the uncertainty involved in claims and assessments and the fact that the involved parties usually are at opposite ends of the spectrum in terms of who will prevail, the determination of the maximum possible amount of exposure for claims or assessments that may result in loss contingencies would be arbitrary and potentially misleading to financial statement users.

In addition, disclosure of private claim amounts *is* problematic. These are often made before filing a lawsuit or making a public assessment to try to resolve the matter privately. Requiring public disclosure, especially on a quarter by quarter basis rather than just annually, would open up and interfere with the process of resolving claims on a private basis. In addition, the required disclosure would in all cases be prejudicial to the entity making the disclosure and advantageous to the claimant. The proposed ability to disclose a possible loss or range of loss would not rectify this problem. It would simply provide more information to the claimant that could be used against the company – it would not reduce the foregoing concerns associated with requiring disclosure of the amounts of non-public claims.

Furthermore, requiring disclosure of the maximum possible exposure to loss would be extremely prejudicial. First, it would require an estimate of the maximum possible exposure. If the company was wrong, this could trigger liability to the company from users of the financial statements. Second, determining a "reliable" estimate may not be possible. Any estimate would be speculative and would not be reliable or meaningful. Third, it would be extremely prejudicial. The claimant itself is unable or unwilling to include a possible claim amount, but the proposed Statement would require the company to disclose a maximum possible exposure. This would provide a potential advantage to claimants in an adversary proceeding. The disclosure would not only increase their leverage in an adversary proceeding, but could encourage and embolden the plaintiffs, which could actually result in a change in the outcome. As mentioned above, disclosure of a maximum amount could become a self-fulfilling prophesy. Fourth, such disclosures, or representations to the auditors to permit them to audit the amounts, could result in a waiver of the attorney-client privilege or work product protection. which could cause a court to require other disclosures to the claimant. Further, paragraph 11 of the proposed Statement provides that in no circumstance may an entity forego disclosing the amount of the maximum exposure to loss if there is no claim or assessment amount, even if it would be prejudicial. We do not support this requirement. Rather, we believe the current disclosure requirements of FASB Statement No. 5 are adequate.

Should disclosure of the amount of settlement offers made by either party be required?

No. First, settlement offers are part of a private negotiation and may be made and expire in the course of one conversation, or may only last a short period of time. Further, settlement offers may be subject to various conditions or considerations. In addition, this would expose the fragile process of settlement negotiations to the public in a way that could cause the settlement discussions to fail and would always be adverse to the company and advantageous to the claimant. Such disclosures could very well impede the ability to achieve effective settlements which would increase the cost of resolving disputes.

This proposed Statement includes a limited exemption from disclosing prejudicial information. Do you agree that such an exemption should be provided? If the proposed standard is adopted, we believe that an exemption for prejudicial information is critical. However, we have several concems with the prejudicial exception outlined in paragraph 11 of the proposed Statement. First, combining things at a higher level does not necessarily solve the concern of disclosing prejudicial information. For instance, a company may have exposure to primarily one type of claim. Alternatively, there may be one claim or group of related claims that dwarf other claims. Therefore, even if everything is combined at a higher lever or at just one level, the claimants may be able to see through the disclosures. This would have problems similar to those described in our previous responses.

Second, the proposal states that the higher level aggregation can be avoided only in "rare instances." However, a company may have the same type of claim on a regular basis or have one or a group of claims that go on for many years and may need to use such an exception on a regular basis, not in "rare instances" as proposed.

Third, even if disclosure in certain rare instances is avoidable, disclosure of an estimate of the maximum exposure to loss if there is no claim or assessment amount will still be required. This would have the problems mentioned above. In addition, inclusion of certain other minimum disclosures that could also be prejudicial would be required, such as providing information on the factors that are likely to affect the ultimate outcome of the contingency along with the potential impact on the outcome. This would have problems similar to those mentioned above.

Finally, we are concerned that auditors and regulators will interpret the word "rare" as "never."

Do you believe it is operational for entitles to disclose all of the proposed requirements for interim and annual reporting periods? Should the tabular reconciliation be required only annually? No. The additional disclosures would not add to the usefulness of the financial statements. Instead, the disclosures may provide information that could be misleading to financial statements users and detrimental to the company's legal positions. The tabular reconciliation does not necessarily add useful information to the reader since contingencies are best explained and analyzed with narrative descriptions. As discussed above, the additional disclosures would be extremely prejudicial to companies and the costs could far exceed any potential benefits. This would be true if disclosure were required only on an annual basis and would be multiplied and greatly exacerbated if required to be disclosed on an interim basis. Thus, we do not support a change for annual reporting periods and strongly oppose a change for interim reporting periods.

Do you believe it is operational for entities to implement the proposed Statement in fiscal years ending after December 15, 2008? No. The proposed Statement would significantly expand the disclosures required for contingencies and will include certain contingencies in the scope of those disclosures (e.g., certain remote contingencies) that were previously not included under FASB Statement No. 5. This will take coordination throughout an entity and with an entity's external legal counsel. In addition, reaching agreement on the new disclosures with the external auditors will be extremely difficult and time-consuming given the high level of judgment implicit in the disclosures. Management will need to carefully re-evaluate all contingencies to ensure they are classified and disclosed appropriately. This is similar to the implementation of FIN 48 and may require a longer implementation period than by December 31, 2008, for calendar-year companies. Although we do not support the proposed Statement, if these disclosures were adopted by the FASB, we suggest at least a one year implementation period.

Overall, we support the concept of improving financial reporting and disclosures. However, we do not believe this exposure draft meets that objective. More importantly, it seems that transition to International Financial Reporting Standards (IFRS) is likely in the near term. We are concerned that this proposed standard does not attempt to conform with IFRS (IAS 37). Implementing new accounting standards is time-consuming and costly for entities. Therefore, as a company, we would be better served spending our time and resources on transitioning to IFRS as well. If, indeed, there is a need for change, we would be more supportive of a transition to a converged standard. Help us transition to IFRS rather than creating new rules that may be obsolete in the near future.

We would appreciate your consideration of this matter. If you have any questions or would like to discuss this matter further, please call me at (608) 664-6122.

Sincerely,

Douglas D. Shuma
Chief Accounting Officer

Senior Vice President and Corporate Controller