TELEPHONE AND DATA SYSTEMS™

Excellence in Communications Services

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September 30, 2010

Submission by Email to director@fasb.org

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

Re: File Reference Number: 1810-100
Exposure Draft of a Proposed Accounting Standards Update – Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Sir/Madam:

This letter is being written on behalf of Telephone & Data Systems, Inc. ("TDS" or the "Company") regarding the project of the Financial Accounting Standards Board ("FASB") on accounting for financial instruments. TDS is a diversified telecommunications corporation founded in 1969. Through its business units, U.S. Cellular® and TDS Telecommunications Corporation ("TDS Telecom®") operates primarily by providing wireless, local telephone and broadband services. The Company's 2009 revenues were approximately $5.0 billion. TDS employs approximately 12,300 people and serves approximately 7.3 million customers in 36 states.

The Company appreciates the opportunity to comment on the FASB's Exposure Draft. We have evaluated the proposed accounting standards update ("ASU") as it relates to the Company and the Company's investors. Currently, the Company does not hold any derivatives or hedging instruments that are within the scope of this proposed guidance, and therefore, we will refrain from offering comments related to those issues. Our comments with respect to the remainder of the accounting guidance in the proposed document are summarized below.

Convergence

In general, the Company supports the FASB's and IASB's continuing efforts to converge United States generally accepted accounting principles ("U.S. GAAP") and International Financial Reporting Standards ("IFRS") accounting guidance into a single set of global accounting standards. However, based on the guidance set forth in this exposure draft there appears to be issues related to the accounting treatment for financial instruments that the FASB and IASB have been unable to agree upon. In the best interest of its constituents and to further address convergence, we ask that the FASB continue to work with the IASB to develop an accounting approach to financial instruments that is consistent between those entities that employ U.S. GAAP and IFRS prior to the final issuance of accounting guidance contained in this exposure draft. Although we recognize that the boards have converged on several material aspects of this accounting treatment, we believe the remaining differences will prove to be problematic and burdensome if IFRS is to be eventually required for U.S. registrants.

Business Strategy Criteria in Relation to Equity Method Investees

As part of the Company's operational strategy, we hold investments in various entities to promote reasonable growth and to increase Company profitability by providing additional return on investment for investor's and increasing cash flows. The majority of these investments are currently accounted for as equity method investments. However, under the proposed guidance, only a few of these investments would qualify for such accounting treatment as a result of the more stringent criteria. The Company believes the business strategy criteria outlined in the aforementioned exposure draft would be difficult to overcome and would significantly limit the future number of investments that will be accounted for as equity method investments. Furthermore, the Company fails to see the added value to financial statement users in requiring such a criterion be met. For these reasons, the Company would prefer that this proposed criterion be eliminated from the final ASU.

Classification and Measurement of Financial Assets

Under the proposed guidance, all investments (i.e., financial assets and financial liabilities) that are not consolidated or are not accounted for under the equity method of accounting, must be measured and accounted for at fair value on the Company's Statement of Financial Position, with changes in fair value flowing through either net income or other comprehensive income on its Statement of Operations. The Company feels that this treatment will introduce variability and increased volatility into its earnings that is not meaningful to investors.

Furthermore, the proposed accounting treatment for financial instruments would require the Company to use "Level 3" fair value measurement techniques and inputs to value these investments as they lack active trading markets. In its continuous quest to provide management, investors, and other financial statement users with the most accurate, reliable, and timely financial information, the Company can not justify introducing such a large amount of highly subjective "Level 3" estimates into its financial statements without good cause.

Rather than using Company-derived estimates, historical data, and other "Level 3" fair value measurement inputs, the Company believes that it would be more appropriate to look to its business model when measuring these investments. The investments currently held by the Company best represent "one-line" consolidations that the Company intends to hold according to its business model, to increase cash flows, and improve return on investment in the long-term.

The Company does agree that there are circumstances in which certain financial instruments should be measured and accounted for at fair value to improve current financial reporting. However, the vast majority of those financial instruments are typically found within the financial institution/banking industries. Therefore, we propose that the FASB re-evaluate whether investments held in unconsolidated entities that are currently being accounting for under the equity method of accounting warrant fair value accounting treatment – treatment that arguably does not improve the financial reporting of those investments nor does it add any additional useful information to users. If the FASB does not feel that the accounting treatment for investments currently accounted for under the equity method is adequate, an alternative to fair value measurement would be to require further enhanced disclosures regarding these investments.

In order to maintain consistency between the Company's business results and the consequential accounting outcome, the Company urges the FASB to adopt a similar approach as proposed by the IASB on accounting for financial instruments which utilizes a mixed measurement approach similar to current U.S. GAAP.

If the FASB decides to not make these suggested changes, we believe it is in the best interest of its constituents, the investor community, and other stakeholders, for the FASB to provide additional guidance on how to best value financial instruments, specifically its investments in unconsolidated entities currently receiving equity method accounting treatment that lack an active trading market.

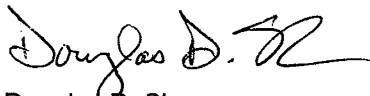
Credit Impairment Model

The final topic within the proposed ASU that the Company would like to comment on is the new credit impairment model. While the Company supports the FASB's efforts to improve the current credit impairment guidance, it feels that the FASB's exposure draft falls short of creating a practical, accurate and unified impairment model.

More specifically, the proposed guidance suggests that management cannot look to future forecasts or projections when measuring financial instruments for impairment. This guidance appears to be in direct conflict with the cash flow models that are commonly used to measure fair value. Moreover, the FASB desires to implement a common credit impairment model to which both financial assets and financial liabilities would be subject. On both of the aforementioned matters, the proposed guidance does not offer any practical or interpretive guidance on how entities should measure their financial instruments for impairment. We believe the lack of such guidance will introduce subjectivity into the proposed impairment model, which may ultimately lead to diversity in the practice of measuring certain financial instruments for impairment. This may result in an unintended consequence and seems to contradict the FASB's stated goal in respect to introducing a common credit impairment model.

We would appreciate your consideration of these issues in your deliberations on the guidance contained in this exposure draft. If you have any questions or would like to discuss any of these matters further, please call me at (608) 664-6122.

Sincerely,



Douglas D. Shuma
Chief Accounting Officer
Senior Vice President and Corporate Controller