

Communications Service

TELEPHONE AND **DATA SYSTEMS™**

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October 18, 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: 1820-100

Exposure Draft of a Proposed Accounting Standards Update – Revenue from Contracts with Customers

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 revenues from contracts with customers. 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 as it relates to the Company and the Company's investors. Our comments with respect to the proposed Accounting Standards Update ("ASU") are summarized below. In general, we agree with the concepts and themes of this exposure draft. 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. Additionally, we support the Boards intent to have one, comprehensive, unified standard that addresses the complexities and intricacies of revenue recognition. There are however a few aspects of this exposure draft that we believe need additional refinement and as such, have commented below.

Allocation Guidance

We have a general concern with the allocation guidance set forth in the proposed standard. The approach in this guidance, as well as in existing guidance, appears to be customer centric and does not seem to consider or contemplate the Company's or management's perspective. The separation guidance does not seem to consider how the Company evaluates a contract and the underlying economics or operational intent. Accordingly, we believe the impacts of the proposed guidance on our financial statements would be misleading and will not be meaningful to investors.

Under the proposed standard, there is no longer a contingent consideration clause which would limit the amount of revenue that would be allocated to the delivered item. Due to the discounts and promotions offered at our Company and in our industry (i.e., telecommunications), the Company believes this change could have a profound impact on the timing and classification of certain revenues. In our industry, the reality is that a handset is provided to a consumer at a deeply discounted price to attract and retain the customer. Our Company's primary business purpose is providing telecommunications services. To shift revenues to equipment revenues or even other promotional items offered does not seem to improve the transparency of our operations to our investors. In fact, the resulting accounting would be in direct conflict with our business economics as viewed by management and investors. We believe the end result will not be reflective of management's view of the business and the performance obligations we believe we have under a given contract.

Likewise, as our industry continues to evolve and satisfy the needs of the customer, the offerings our Company and others in our industry provide are more commonly bundled. For example, the customer pays a fixed fee for voice, data, and messaging under a wireless service agreement. As the industry trends more towards "bundled" arrangements and distances itself from the "a la carte" approach that was found in prior years, we believe this allocation guidance and the results have less meaning to investors and our own management and personnel. As bundled offerings become more common place, the allocation of revenue becomes more of an exercise to accommodate the accounting standards, rather than an exercise that provides insightful information to investors.

We recommend that the Board re-consider its view of arrangements with multiple elements. We believe the guidance should consider the Company's business model and management's view of the contract. We believe allocation should only be required if it provides insight into the Company's operations and reflects the true economics and underlying business motivations of the contract. In industries where bundling is commonplace, we believe the requirement to allocate consideration should be waived. An accounting model that would spread the total consideration over the term of the service agreement would more closely match the economics of our business.

If the proposed guidance remains in its current format, we recommend that the Board include industry specific examples to illustrate the complexities and nuances that are present in industries like ours so that there is consistency across the industry and we can ensure compliance with the standards.

Transition Guidance:

Under the proposed guidance, the provisions must be applied retroactively. The Boards have stated that this approach will ensure comparability and implies that this comparability provides value to the investor. The Company fundamentally disagrees with this assessment. We believe the new standard and the changes it will prompt do not represent a real shift in the underlying economics or cash flows of the Company's business model or operations. As such, we do not believe representing this data for prior periods provides the investor with any additional, meaningful data. The Company believes this proposed transition approach would be extremely costly and an unduly burdensome. The benefit to its investors does not appear to be commensurate with the cost and effort required to re-present the revenue under these new standards for all of the Company's customers, with the level of precision suggested. The new standards embody requirements that the Company's legacy systems may not be able to accommodate. As such, significant re-work and lead time would be required. We believe the proposed transition guidance is not practical or prudent. However, if the Board maintains this transition approach in the final standard, when establishing the effective date for this standard, we strongly encourage the Board to be mindful of the re-work, analysis, and system modifications that would be required to comply with these requirements.

In closing, 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