December 15, 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: 1850-100
Exposure Draft of a Proposed Accounting Standards Update – Leases

Dear Sir/Madam:

This letter is being written on behalf of Telephone and Data Systems, Inc. ("TDS" or the "Company") regarding the project of the Financial Accounting Standards Board ("FASB") on accounting for leases. TDS is a diversified telecommunications corporation founded in 1969. Through its business units, U.S. Cellular® and TDS Telecommunications Corporation ("TDS Telecom®"), it 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 7.2 million customers in 36 states as of September 30, 2010.

Currently, the Company has in excess of 10,600 operating leases, primarily ground leases held by our U.S. Cellular business unit. Given the degree to which our Company and the industry engages in leasing arrangements, the proposed changes to the lease accounting guidance would significantly impact our results of operations, our financial leverage and the operational and financial systems needed to record each leasing arrangement. For these reasons, 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. Our comments with respect to the accounting guidance in the proposed document are summarized below.

General

First and foremost, the Company applauds the Board's effort to improve the transparency of leasing arrangements for the benefit of the investor community. We also support, the introduction of one, single approach for all leases (i.e., eliminating the distinction between operating and capital leases).

Our Company generally agrees with this standard, and the theory and fundamentals that support the positions taken. We are certainly in agreement that a leasing arrangement creates an asset and a related obligation. Where our Company is not in unison with the Board's position is on some of the specific details that are being prescribed. In the instances outlined below, the Company believes the cost of complying with these requirements significantly outweighs the incremental benefit provided to the investor. Moreover, in certain instances, we believe the methodology proposed is in contradiction with other standards and positions previously taken by the Board on other accounting matters.

Scope

The Company believes further refinement to the scope of this guidance would be beneficial. We ask that the Board consider including additional guidance on the application of this guidance to such things as software licenses and other intangible assets.
Presentation

As proposed by the ASU, all leased assets will be amortized over a specified term. This amortization will be reflected in depreciation expense. Given the magnitude of the Company's leasing arrangements, this treatment will have a profound impact on the Company's depreciation expense and will consequently have a significant impact on several of the Company's key performance metrics such as the Company's EBITDA calculation. This calculation and other similar calculations are relied on by management and the investor community to gain an understanding of the Company's current and future cash flows. Therefore, the Company suggests that the Board be mindful of these implications in its final standard. It seems imperative that the Board deliberate and contemplate the impact that the lease asset and related obligation would have on company and industry financial metrics.

Lease Term

Unlike the current guidance, under the proposed standard, companies are required to consider lessee intentions. This consideration seems to be inconsistent with the market-based approach that is often stressed in other accounting areas. This kind of treatment can inherently lead to different accounting treatment, by different parties, for the same or similar arrangements. We believe this is not valuable to investors.

Moreover, we think the general approach to computing a lease term under the proposed guidance is highly subjective and prone to inconsistencies. Although we generally support a more principle-based approach to accounting, in this instance, it seems that some clearer direction may add value to investors. A possible alternative approach would be to define the lease term as the fixed term (i.e., do not include renewals). Conversely, if the Board is married to the longest possible term, then perhaps the Board should require all possible renewal periods be included in the lease term.

If a different direction is not memorialized in the final ASU, perhaps consideration can be given to providing clarification and direction in examples or frequently asked questions.

Periodic Reassessment

The Board's proposal to periodically assess the estimate of contingent rentals and lease term is neither practical nor prudent. For our Company, this would entail a periodic assessment of these assumptions for thousands of leases. A thorough review of these assumptions, for this magnitude of agreements, would require significant resources and improved systems. Although we support incurring additional expenses if the information provided to the investor is incrementally useful, we do not believe this kind of assessment and the results it will produce provide such value. In our opinion, if careful evaluation is done at the beginning of leases, as a total population, we believe the lease term and contingent payments will approximate actual and updated assumptions. We do not believe a thorough review to detect anomalies and differences would yield results that would be significantly different from those contemplated at inception of the leasing arrangements. Perhaps an alternative approach would be to simply update these values once the data is known, similar to the approach employed under the current guidance. Under this approach, Company's would be able to more efficiently detect leases for which changes occurred (as these changes would be reflected by lease modifications, known inputs, etc.)

Contingent Rentals

The Exposure Draft states that the assets and liabilities recognized by lessees should include contingent rental payments. We believe this proposed treatment is inconsistent with the spirit of these payments. By definition, these payments are contingent upon a future event that is uncertain. We believe the proposal to include these amounts in the asset and related obligation will result in an overstatement of the respective balances. Our recommendation is that the Board maintain the current lease guidance which excludes such payments from the computation of the minimum lease payments.

If the Board does decide to memorialize the contingent payment guidance as it is proposed in this ASU, we encourage the Board to provide additional examples and illustrations on the initial and subsequent accounting treatment for contingent rentals based on indices such as CPI. This treatment is not particularly transparent in the proposed ASU.
Convergence

Finally, the Company agrees with the collective Boards' continued efforts to converge IFRS and U.S. GAAP. However, the Company finds it prudent that before issuing any final guidance that the Boards reconcile all remaining issues in which they differ. This will make IFRS adoption less costly in the future with regards to lease accounting.

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