



LETTER OF COMMENT NO. 26

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**Telephone and  
Data Systems, Inc.**

*Excellence in Communications Services*

November 12, 2008

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

Re: File Reference 1620-100  
Exposure Draft - Amendments to FASB Interpretation No. 46(R) (FIN 46(R))

Dear Sir/Madam:

This letter is being written on behalf of Telephone and Data Systems, Inc. ("TDS<sup>TM</sup>" or "Company") regarding the FASB's project on amending FIN 46(R). 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. TDS currently is the primary beneficiary of certain variable interest entities which it consolidates in its financial statements.

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

*The Board decided to adopt a more principles-based approach to determine the primary beneficiary of a variable interest entity. Do you believe the principles in paragraphs 14-14B of Interpretation 46(R), as amended by this proposed Statement, are sufficiently clear and operational?*

In general, we support a more principles-based approach to determining the primary beneficiary of a variable interest entity (VIE). However, it is the Company's opinion that the proposed guidance is not sufficiently clear and may prove operationally difficult to implement. Given the emphasis the proposed guidance places on qualitative analysis, it seems imperative that companies are provided additional guidance or illustrations to assist them in deciphering their responses to Paragraph 14A. Paragraph 14A of the proposed Statement states that **both** of the following criteria must be met in order to qualitatively determine that an entity is the primary beneficiary:

- 14A. An enterprise with a variable interest in a variable interest entity shall qualitatively assess whether the enterprise has a controlling financial interest in the entity and, thus, is the entity's primary beneficiary...An enterprise shall be deemed to have a controlling financial interest in a variable interest entity if it has both of the following characteristics:
  - a. The power to direct matters that most significantly impact the activities of a variable interest entity, including, but not limited to, activities that impact the entity's economic performance...and

- b. The right to receive benefits from the variable interest entity that could potentially be significant to the variable interest entity or the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity... This criterion includes an enterprise's implicit or explicit financial responsibility to ensure that a variable interest entity operates as designed.

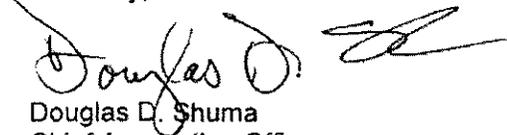
We believe that there are circumstances in which the answer to 14A(a) would be "no" and the answer to 14A(b) would be "yes". It is possible for a company to have loans or equity interests in a variable interest entity that would result in the right to receive benefits or the obligation to absorb losses that could potentially be significant to the variable interest entity, yet, due to operating agreements or ownership governance structure, that company would not necessarily be able to direct matters that most significantly impact the activities of the variable interest entity. We do not believe that the examples in Appendix A of the proposed Statement provide guidance on how to evaluate this type of situation. Does this mean that the qualitative analysis was inconclusive and it is necessary to move on to the quantitative analysis? Or does this mean that the company is not the primary beneficiary and no further quantitative analysis is necessary? We recommend clarifying what companies should do if there is a "split" answer (e.g., one "yes" and one "no" answer) to the qualitative assessment in paragraph 14 or if the answer to one of the criterion is conclusive and the answer to the other is inconclusive.

*For the reasons stated in paragraphs B6–B15 of this proposed Statement, the Board decided to require ongoing assessments to determine whether an entity is a variable interest entity and whether an enterprise is the primary beneficiary of a variable interest entity. Do you agree with the Board's decision to require ongoing assessments? If not, please provide reasons (conceptual or otherwise) as to why you disagree with these requirements considering all of the proposed amendments in this proposed Statement?*

No, we do not think on-going assessments of the primary beneficiary are necessary, practical, or cost effective. We believe that a re-evaluation of the primary beneficiary should only be performed upon a reconsideration event under the current FIN 46(R) guidance<sup>1</sup>. A change in primary beneficiary most likely will only take place if a reconsideration event as described in FIN 46(R) occurs, therefore, companies should be monitoring for events such as these (e.g., ownership changes, additional financing of the VIE, etc.). Requiring companies to evaluate the primary beneficiary determination at each reporting period regardless of whether one of these reconsideration events has taken place results in unnecessary costs for analysis, documentation and auditing without improving financial transparency and in most cases, without altering the accounting for variable interest entities.

We would appreciate your consideration of these matters. 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

<sup>1</sup> Paragraph 15 of FIN 46(R), "...An enterprise with an interest in a variable interest entity shall reconsider whether it is the primary beneficiary of the entity if the entity's governing documents or contractual arrangements are changed in a manner that reallocates between the existing primary beneficiary and other unrelated parties (a) the obligation to absorb the expected losses of the variable interest entity or (b) the right to receive the expected residual returns of the variable interest entity. The primary beneficiary also shall reconsider its initial decision to consolidate a variable interest entity if the primary beneficiary sells or otherwise disposes of all or part of its variable interests to unrelated parties or if the variable interest entity issues new variable interests to parties other than the primary beneficiary or the primary beneficiary's related parties. A holder of a variable interest that is not the primary beneficiary also shall reconsider whether it is the primary beneficiary of a variable interest entity if that enterprise acquires additional variable interests in the variable interest entity."