Note 1. Summary of Significant Accounting Policies (Continued)

101, (SAB No.101). Effective July 1, 2003, the Company adopted Emerging Issues Task Force ("EITF") No. 00-21, "Accounting for Revenue Arrangements with Multiple Element Deliverables." The EITF guidance addresses how to account for arrangements that may involve multiple revenue-generating activities, i.e., the delivery or performance of multiple products, services, and/or rights to use assets. In applying this guidance, separate contracts with the same party, entered into at or near the same time, will be presumed to be a bundled transaction, and the consideration will be measured and allocated to the separate units based on their relative fair values. The adoption of EITF 00-21 has required evaluation of each arrangement entered into by the Company for each sales channel. The Company will continue to monitor arrangements with its sales channels to determine if any changes in revenue recognition would need to be made in the future. The adoption of EITF 00-21 has resulted in substantially all of the activation fee revenue generated from Company-owned retail stores and associated direct costs being recognized at the time the related wireless handset is sold and is classified as equipment revenue and cost of equipment, respectively. Upon adoption of EITF 00-21, previously deferred revenues and costs will continue to be amortized over the remaining estimated life of a subscriber, not to exceed 30 months. Revenue and costs for activations at other retail locations will continue to be deferred and amortized over their estimated lives as prescribed by SAB 101. The adoption of EITF 00-21 had the effect of increasing equipment revenue by $68 thousand and increasing costs of activation by $23 thousand in 2003, which otherwise would have been deferred and amortized. The amounts of deferred revenue under SAB 101 at December 31, 2003, 2002 and 2001 were $1.2 million, $1.5 million and $1.2 million, respectively. The deferred costs at December 31, 2003, 2002 and 2001 were $0.4 million, $0.7 million and $0.7 million, respectively.

The Company records its PCS service revenue net of the 8% of collected revenue that is paid to Sprint. Under the management agreement with Sprint, through December 31, 2003 Sprint is entitled to retain 8% of all collected service revenue from subscribers whose service home is in the Company's territory, and 8% of the collected roaming revenue generated by non-Sprint wireless subscribers who use the Company's network. With the adoption of the new Amended Agreement, the Company will record its service revenue and receive payment from Sprint based on billed revenue, net of 8% of billed revenue retained by Sprint, customer credits, and allocated write-offs.

Stock Option Plan: To account for its fixed plan stock options, the Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation," an interpretation of APB Opinion No. 25 issued in March 2000. Under this method, compensation expense is recorded on the date of the grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123."

Grants of options under the Plan are accounted for following the APB Opinion No. 25 and related interpretations. Accordingly, no compensation expense has been recognized under the Plan. Had compensation expense been recorded, based on fair values of the awards at the grant date (the method prescribed in SFAS No. 123), reported net income and earnings per share would have been reduced to the pro forma amounts shown in the following table:

	2003	2002	2001
Net Income	*(in thousands, except per share amounts)*		
As reported	**$ 32,074**	$ 4,519	$ 16,372
Pro forma	**$ 31,889**	$ 4,307	$ 16,115
Earnings per share, basic and diluted			
As reported, basic	**$ 4.23**	$ 0.60	$ 2.18
As reported, diluted	**$ 4.22**	$ 0.60	$ 2.17
Pro forma, basic	**$ 4.21**	$ 0.57	$ 2.14
Pro forma, diluted	**$ 4.19**	$ 0.57	$ 2.13

Earnings per share: Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted income (loss) per share is computed by dividing the income (loss) by the sum of the weighted average number of common shares outstanding and potential dilutive common shares determined using the treasury stock method. Because the Company reported a net loss from continuing operations in 2002, the diluted income (loss) per share is the same as basic income (loss) per share since including any