

September 30, 2010

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

File Reference No. 1810-100

Dear Mr. Golden

DIRECTV appreciates the opportunity to comment on the Exposure Draft of proposed Accounting Standards Update, Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities (the "ED").

We commend the FASB for attempting to improve the accounting for financial instruments, however we have specific concerns regarding proposals in the ED which are discussed in the following sections.

Investments in Marketable Equity Securities – Retain Recognition in Other Comprehensive Income

We believe that the ED should be revised to allow non-financial institutions to continue to report changes in the fair value of marketable equity securities in other comprehensive income pursuant to the "available for sale" model currently in practice. In 1999, at the height of the dot-com era, DIRECTV (then Hughes Electronics Corporation) experienced a \$450 million after tax increase in the value of a portfolio of equity investments. Had we reported the gains from the increase in fair value of those investments in earnings instead of other comprehensive income (OCI), we would have reported net income of about \$151 million compared to the net loss actually reported of \$291 million. The \$450 million gain ultimately proved temporary, and we recorded impairment charges on many of these investments in subsequent periods as the stock market settled back to more rational pricing.

We don't believe that the inclusion of those illusive gains in reported net income and earnings per share would have provided investors with an accurate measurement of our financial performance, and we can foresee that similar situations could recur in the future. Indeed, we believe that investors, in their analysis of our financial performance, would have reversed those gains from earnings had they been reported in net income at the time.

Accordingly, we propose that changes in fair value for investments in marketable equity securities qualify for recognition in other comprehensive income if the entity intends to hold the instrument for investment purposes (i.e. "available for sale"). Investors would have the benefit of the current fair value information, without the earnings distortion caused by fair value accounting. Also, impairment charges and realized gains and losses would continue to be recognized in net income under the existing model. We would not be opposed to an option to account for changes in fair value through net income.

Investments in Non-Marketable Equity Securities – Retain Equity Method, Cost Method, and Fair Value Option

We think it would be more prudent to permit rather than mandate fair value accounting for non-marketable equity instruments, including equity instruments such as options and warrants in non-public companies which lack net settlement provisions. We note the following reasons for allowing the continuation of the existing accounting models for non-marketable equity investments:

- International Financial Reporting Standards (IFRS) and proposed changes thereto do not
 contemplate a similar model for all equity investments. Accordingly, U.S. preparers could be
 faced with a change to our accounting as part of this proposal, only to revert to a third
 alternative when IFRS are adopted in the United States or the standards are finally otherwise
 converged.
- Many non-marketable equity investments are typically held for long-term investment purposes and/or are not easily sold due to their illiquidity. For many non-investment companies, changes in the fair value of those investments from period to period are not necessarily meaningful or relevant to users of their financial statements.
- In the case of equity method investments, it is not clear that a fair value adjustment recorded in earnings is more meaningful information than the current equity method earnings model, regardless of whether an entity is "related".
- Changes in the fair value are akin to adjusting goodwill or the fair value of tangible and intangible assets held by the investee from period to period, while the investor follows no such accounting paradigm for its own operations or "related" investments. This inconsistency for non-"related" investments where significant influence otherwise exists seems unwarranted.
- We currently own a 65% interest in an entity which we account for under the equity method of
 accounting due to a lack of control. Regardless of the "related" criteria, we have no reason to
 believe that fair value accounting is more relevant than equity method accounting for this
 entity, which would otherwise be consolidated under slightly different circumstances.
- Financial forecasts and other relevant information are not readily available to determine fair values of some investments, and therefore such valuations would be costly.
- Options and warrants in non-public entities often do not qualify for derivative accounting
 pursuant to ASC Topic 815 owing to a lack of a net-settlement provision. These instruments are
 inherently difficult to value, and such valuations often prove rather speculative. We think that
 in practice, the quality of such valuations and therefore reported gains and losses would be
 relatively low.

In general, the cost of determining the fair value of non-marketable equity instruments will outweigh the benefit to financial reporting for many companies. In fact, as explained in regards to marketable investments above, while we appreciate that investors may be interested in the fair value of material equity instruments, we do not believe that reporting fair value adjustments in net income for all instruments, particularly those which an entity expects to hold indefinitely, is an actual improvement to reported net income. We believe that investors in non-financial institutions will remove such adjustments from reported net income and derive alternative measures of earnings in order to exclude these unrealized gains and losses.

Accordingly, it would be more prudent to provide an option to allow fair value accounting with changes in value reported through other comprehensive income or net income. To prevent manipulation, an entity could be precluded from reverting to cost or equity method accounting. In addition, we expect that other-than-temporary impairment tests would remain in place.

Determination of Related Investments

While the FASB concluded that the equity method of accounting "would provide the most appropriate representation of the underlying economic activity in the entity's financial statements" (paragraph BC 24) for related entities, the ED has not made it clear why a determination as to whether an investee is related or not is relevant. We expect that the fair value option was typically exercised in the past by financial institutions, but in relatively few cases did a commercial enterprise make such an election. The nature of the reporting entity may therefore be more important than whether the business is "related".

Nonetheless, if the FASB decides to retain fair value accounting for non-related entities where significant influence is evident, we have provided comments to clarify the application of this criteria in our response to Question No. 4 in the attached Appendix.

Hedge Documentation

We believe that the existing hedge documentation requirements result in a strict penalty for those companies with infrequent hedging activity despite the fact that it was likely crafted to prohibit abuse by those who hedge frequently. We propose that the FASB take this opportunity to remove the bright line test for hedge documentation and replace it with a principle based approach. That principle would be as follows:

Hedge accounting is only available if there is a clear evidence of *probable* intent that the instrument was entered into in relation to the hedged transaction. The level of evidence would vary by entity.

- For a financial institution with regular derivative trading, contemporaneous documentation would be mandatory.
- For other operations where derivative trading is infrequent, sufficient evidence may be
 available in correspondence to demonstrate that the instrument was entered into in
 relation to a specific risk. For such entities, the formal documentation, must be
 completed no later than the first reporting date following the execution of the hedge.
 - Depending on the nature of the hedge and the hedged transaction, it must be clear that both are related. For example, an interest rate swap or treasury lock entered into immediately preceding a debt issuance may be an obvious hedge. Whereas in the case of a foreign currency forward entered into where the company has regular and routine foreign currency trading in the same currency, the hedged item may not be obvious and therefore hedge accounting would be precluded absent contemporaneous documentation.
 - An entity may also show its intent through past practice, however divergence from such practice could disqualify hedge accounting.

We are aware that many well-meaning treasury departments have sought to hedge risks, only to find that the expected accounting is not available due to the fact that the documentation requirements are written in a bright line, rather than principled manner.

We appreciate the opportunity to express our views on this ED. We have provided responses to selected questions in the attached appendix.

Sincerely,

John F. Murphy

Senior Vice President, Controller and

Chief Accounting Officer jfmurphy@directv.com

Steven A. Adams

Vice President, Financial Reporting and Analysis

saadams@directv.com

Appendix - Responses to Selected Questions

Question 1: Do you agree with the scope of financial instruments included in this proposed Update? If not, which other financial instruments do you believe should be excluded or which financial instruments should be included that are proposed to be excluded? Why?

We believe that the scope of the standard should either exclude the following instruments or merely provide a fair value option for non-financial institutions: investments in non-marketable equity securities, marketable equity securities and options and warrants in non-public entities which do not qualify for accounting pursuant to ASC Topic 815. For the reasons enumerated in our letter, we believe that the existing accounting models (cost method, equity method, "available for sale" or "trading") provide the best measurement of reported results for the users of our financial statements. We do not believe that the changes in accounting for these instruments are warranted because such changes are contrary to changes proposed by the IASB, will result in an unnecessary costs to both apply an alternative standard on an interim basis and further to obtain valuation information with marginal incremental value. Based on our experience with investments in equity securities since the adoption of the FASB's Statement No. 115, the users of our financial statements will not see an improvement in our reported results or financial position as a result of these proposed changes. Gains and losses on these instruments should follow the existing model, where realized gains on "available for sale" securities are reported in net income only upon realization. We do support an option to account for the instruments listed above at fair value through 1) other comprehensive income and 2) net income.

Question 4: The proposed guidance would require an entity to not only determine if they have significant influence over the investee as described currently in Topic 323 on accounting for equity method investments and joint ventures but also to determine if the operations of the investee are related to the entity's consolidated business to qualify for the equity method of accounting. Do you agree with this proposed change to the criteria for equity method of accounting? If not, why?

The ED has not made it clear why a determination as to whether an investee is related or not is relevant. We expect that the fair value option was typically exercised in the past by financial institutions, but in relatively few cases did a commercial enterprise make such an election. The nature of the reporting entity may therefore be more important than whether the business is "related". Therefore, we think further analysis of the appropriate segregation criteria may be warranted.

Nonetheless, if the FASB decides to retain fair value accounting for non-related entities where significant influence is evident, we propose that the FASB more clearly state its intent in regards to the criteria for identifying related entities. The standard should state, for example: "One or more of the following indicators may be sufficient to conclude an investment is related depending on the significance of the activity to both the investor and investee at the time the investment is made."

The standard should clearly state whether the "related" assessment must be made at acquisition and on an ongoing, event driven basis. The standard should also indicate whether in the event that the related business is divested, but the investment otherwise retained, the accounting treatment would change and whether that treatment would be prospective or retrospective. The treatment would likely need to be harmonized with the reporting of discontinued operations.

Definition of "Significant Influence"

We carry certain investments in limited partnerships under the existing equity method of accounting pursuant to ASC Topic 323-30-S99-1 (formerly EITF Topic No. D-46). The ED does not clarify whether these would still be considered eligible for equity method accounting since "significant influence" is assumed despite the fact that an investment could represent less than a 5% equity interest. We believe the FASB's intent or the definition of "significant influence" would need to clarified in regards to such investments.

Question 18: Do you agree that a financial liability should be permitted to be measured at amortized cost if it meets the criteria for recognizing qualifying changes in fair value in other comprehensive income and if measuring the liability at fair value would create or exacerbate a measurement attribute mismatch? If not, why?

Yes. We do not believe that measurement of our financial liabilities (debt) at fair value is meaningful to the users of our financial statements, since it is unlikely we would settle such obligations at fair value.

Question 30: Do you believe that the proposed criteria are operational to qualify for measuring a financial liability at amortized cost? If not, why?

We are not aware of a reason that the model would be problematic in application to our current circumstances.