

Hilton Worldwide 7930 Jones Branch Drive McLean, Virginia 22102

December 10, 2012

Technical Director Financial Accounting Standards Board 401 Merrit 7 PO Box 5116 Norwalk, CT 06856-5116

Dear Board Members:

Re: Proposed Accounting Standard Update (Revised), Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or an Investment in a Foreign Entity (File Reference No. EITF-11Ar)

Hilton Worldwide, Inc. (referred to herein as we, us, our, Hilton or the Company) is pleased to comment on the Financial Accounting Standards Board's (FASB) Proposed Accounting Standard Update (ASU) Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or an Investment in a Foreign Entity (the "proposed ASU").

Hilton is one of the world's largest lodging companies based on system-wide room count and is engaged in owning, leasing, managing, developing, and franchising hotels, resorts, and timeshare properties. As of September 30, 2012, we owned, leased, managed, or franchised 3,885 hotel and resort properties in 90 countries and territories, as well as 39 timeshare properties.

We consider each of our owned or leased hotel and resort properties with a functional currency other than Hilton's parent company reporting currency to be a separate foreign entity within the meaning contemplated in Accounting Standards Codification (ASC) Topic 830, Foreign Currency Matters. Our determination of a foreign entity is not predicated by the legal entity structure, but is based on a distinct and separate operation that operates in a foreign economic environment. We may dispose of or exit a foreign entity in many different ways, including, but not limited to, the sale of an owned hotel, the exit of a leased hotel at lease expiration, or the sale of an equity method investment. Under current U.S. generally accepted accounting principles, we believe the cumulative translation adjustment (CTA) should be released from accumulated other comprehensive income (AOCI) into net income when we have sold or substantially liquidated our net investment in a foreign entity, consistent with the current guidance of ASC Subtopic 830-30, Foreign Currency Matters - Translation of Financial Statements. It is our view that this treatment discloses the substance of our investments and interest in foreign entities, and our economic exposure to foreign currency fluctuations.

We interpret the term "controlling financial interest" used in the proposed ASU within the meaning contemplated in ASC Topic 810, Consolidation, as an interest which is consolidated in accordance with Topic 810, including consolidated variable interest entities (VIEs). In the future, we may experience situations where we lose a controlling financial interest in a consolidated foreign entity but do not sell or substantially























liquidate our net investment in the foreign entity. Upon amendment, expiration, or termination of certain contracts, we may lose a controlling financial interest in a consolidated foreign entity without experiencing a change in our equity interest or investment in that foreign entity. In this situation, we do not believe CTA relating to the foreign entity should be released into net income since the underlying net investment in the foreign entity, and the foreign currency exposure associated with that investment, has not been sold or substantially liquidated.

Our foreign currency exposure is similar whether we consolidate our interest in a foreign entity's net assets or report our interest in a foreign entity's net assets as an equity method investment. We believe that since unrealized translational foreign currency gains and losses accumulated in CTA are generated from foreign currency exposure on our net investment in a foreign entity, such gains and losses should not be released from CTA into net income until being realized by the parent upon the sale or substantially complete liquidation of our net investment in the related foreign entity. We believe that when our net investment is substantially retained in the foreign entity's primary economic environment, we have not economically realized any gains or losses on foreign currency movements because any such gains or losses do not impact the reporting entity's cash flows. Therefore, our position is that the substantially complete liquidation of a net investment in a foreign entity should be the trigger for the release of CTA of a foreign entity as this represents a culmination of the earnings process relating to a net investment in a foreign entity.

Overall, we support the efforts of the FASB to resolve the diversity in practice about which guidance applies to the release of the CTA into net income. Our responses to specified questions are outlined below.

Question 1: Do you agree that an entity should apply the guidance in Subtopic 830-30, as clarified by the amendments in this proposed Update, for the release of the cumulative translation adjustment into net income upon the loss of a controlling financial interest of a subsidiary or a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a consolidated foreign entity? If not, please explain why.

We believe that CTA should only be released upon the sale or substantially complete liquidation of a net investment in a foreign entity, as described in Subtopic 830-30. We agree that CTA should not be released into net income upon the loss of a controlling financial interest of a subsidiary or a group of assets that is a business (other than a sale of in substance real estate) within a consolidated foreign entity as the net investment in the foreign entity may not be sold or substantially liquidated.



Question 2: Do you agree that an entity should apply the guidance in Subtopic 830-30, as clarified by the proposed amendments, for the release of the cumulative translation adjustment into net income upon the loss of a controlling financial interest in an investment in a consolidated foreign entity as well as to the derecognition of an equity method investment that is a foreign entity in an acquisition of a business in stages (sometimes referred to as a step acquisition)? If not, please explain why.

While we do believe the proposed ASU adds clarity to the derecognition of CTA, we do not agree that CTA should be released into net income upon the loss of a controlling financial interest in an investment in a consolidated foreign entity. We also do not agree that CTA should be released into net income upon derecognition of an equity method investment that is a foreign entity in a step acquisition.

We believe the requirement of ASC Subtopic 810-10, Consolidation – Overall, as described in the proposed ASU, is to release all CTA relating to a consolidated foreign entity upon the loss of a controlling financial interest in the foreign entity and analogizes the event to the sale of an entire net investment. We do not believe the loss of a controlling financial interest in a consolidated foreign entity should be treated as the sale of an entire net investment and trigger the release of CTA. We believe that foreign currency exposure continues to exist when the Company retains an investment in the foreign entity, and that a loss of control should not result in the removal of all equity components. Thus, we do not believe that the partial sale of an interest resulting in the loss of control should trigger the release of CTA, as our foreign currency exposure still exists and our net investment in the foreign entity may not have been substantially liquidated.

Similarly, we believe the application of ASC Subtopic 805-10, Business Combinations – Overall, as described in the proposed ASU, to release all CTA related to an equity method investment that is a foreign entity in a step acquisition analogizes the event to the sale of an entire net investment and a separate acquisition of a controlling financial interest in the foreign entity. In this situation, we do not believe the release of CTA relating to the foreign entity into net income is consistent with the substance of the transaction. Generally, the substance of the transaction is to increase the net investment in a foreign entity, thereby increasing the net exposure to foreign currency movements, resulting in increased CTA fluctuations. Therefore, we believe the current guidance of Subtopic 830-30 when applied to step acquisitions results in a consistent representation of the foreign currency exposure and appropriately retains the existing CTA associated with our net investment.

We would also like to point out that we believe there are unintended consequences from this proposed ASU as it relates to in-substance real estate as similar transactions would be treated differently regarding the release of CTA into net income depending on whether a foreign entity is in-substance real estate because in-substance real estate is not within the scope of ASC 810-10-40-3A. For example, if we contribute an owned hotel property to a joint venture (JV) and retain a 50% interest from the JV, we would generally lose control of the foreign entity, but would not release CTA upon the loss of control because the foreign entity is in substance real estate. In contrast, if we contribute a foreign entity which operates a leased hotel property to a JV and retain a 50% interest from the JV, we would generally lose control of the foreign entity and



would release CTA upon the loss of control because the foreign entity is not in substance real estate. The application of the current guidance of Subtopic 830-30 in all scenarios would provide for more consistent release of CTA into net income as neither scenario described above would result in a substantially complete liquidation of our net investment.

We believe our underlying net investment best reflects our foreign currency exposure and thus, the current guidance of Subtopic 830-30 appropriately provides for the release of CTA relating to our net investment in a foreign entity into net income only upon a sale or substantially complete liquidation of our net investment in the foreign entity. We believe that the current guidance of Subtopic 830-30 would provide for a more faithful representation of the economic substance of foreign currency gains and losses than the application of Subtopic 810-10 or Subtopic 805-10 for the release of CTA into net income in situations where our net investment has not been sold or substantially liquidated.

Question 3: Do you agree that the proposed amendments clearly differentiate the treatment for releasing the cumulative translation adjustment between events occurring within a foreign entity and events related to an investment in a foreign entity? If so, please explain.

We agree that the ASC, as amended by the proposed ASU, is clear about when an entity should release CTA into net income. However, while we believe that the flow chart included in the Summary and Questions for Respondents section of the proposed ASU is helpful to determine when to release CTA into net income, we believe that the flow chart may conflict with our interpretation of Subtopic 830-30, as amended by the proposed ASU. In certain situations, we do not believe that the flow chart reflects our interpretation that CTA should be released into net income upon a substantially complete liquidation of our net investment in the foreign entity. For example, the Company operates certain hotels under long-term lease arrangements, some of which are accounted for as capital leases. The Company considers each of our leased hotel properties to be a separate foreign entity. Upon termination of a lease, our net investment in the foreign entity would generally be substantially liquidated. We would not consider this event to represent a sale of a subsidiary or a group of assets that is a business within a foreign entity or a sale of an investment in a foreign entity. Therefore, the flow chart indicates we should not release CTA into net income in this scenario. However, we believe Subtopic 830-30, as amended by the proposed ASU, would require the release of CTA into net income in this situation since our net investment in the foreign entity has been substantially liquidated. We believe that CTA should be released into net income in this scenario.

Question 4: Do you agree that the proposed amendments should be applied prospectively? If not, please explain why.

We agree that the proposed amendments should be applied prospectively.



We appreciate the opportunity to comment on this proposed Accounting Standard Update. We would be pleased to discuss our views with you at your convenience.

Very truly yours,

/s/ Paula A. Kuykendall

Paula A. Kuykendall Senior Vice President and Chief Accounting Officer Hilton Worldwide, Inc.