

July 13, 2009

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

File Reference: Proposed FSP FAS 157-g

Dear Mr. Golden:

We appreciate the opportunity to comment on the Exposure Draft of Proposed FASB Staff Position FAS 157-g Estimating the Fair Value of Investments in Investment Companies That Have Calculated Net Asset Value per Share in Accordance with the AICPA Audit and Accounting Guide, Investment Companies (the "Exposure Draft"). Huron Consulting Group helps clients address complex challenges that arise in litigation, disputes and investigations. Huron provides services to a wide variety of organizations, including Fortune 500 companies, medium-sized businesses, leading academic institutions, healthcare organizations, and the law firms that represent these various organizations.

We agree with the FASB's decision to allow reporting enterprises to use the net asset value of an investment in an investment company as a practical expedient for fair value when the fair value is not readily determinable, but only in the following circumstances:

- The investor is only able to redeem its investment with the investment company. Although FASB Statement No. 157 *Fair Value Measurements* defines fair value as the amount the reporting enterprise would receive to sell the asset to a third party, we believe an exception is appropriate if the terms of the investment prohibit the reporting enterprise from selling it to anyone other than the issuer. In that case, we believe the amount the reporting enterprise would receive on redemption is the best and most relevant estimate of fair value.
- The investor is not restricted from selling its investment to a third party, but a third party would require a discount to net asset value even though the issuer would not. If the investor is able to redeem its investment at net asset value, we believe it is appropriate for it to record the investment at its net asset value by analogizing to the most advantageous market guidance in Statement 157.

However, we do not believe the FASB should permit a reporting enterprise to ignore restrictions that could affect the investor's ability to redeem the investment at net asset

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value. Paragraph 6 of Statement 157 specifically requires a reporting enterprise to consider the attributes specific to an asset when estimating the asset's fair value. We do not support the proposed FSP because it would allow a reporting enterprise to ignore the specific attributes of an instrument. We do not believe the Board has adequately explained why it believes such a departure from the requirements of Statement 157 is appropriate for this particular asset class. From the discussion in paragraph 9 of the Exposure Draft, it appears that the Board reached its conclusion based on a cost/benefit analysis. However, we were unable to identify any discussion in the proposed FSP of the factors the Board considered in making that analysis. We assume the Board concluded that an investment's fair value determined in accordance with Statement 157 could not differ materially from its net asset value. If that is the basis for the Board's decision, we question how it could reach that conclusion without evaluating the effect that specific features of an investment would have on its net asset value.

The Board also notes in paragraph 9 of the Exposure Draft concerns raised by users about the effect of "highly subjective adjustments to net asset value" on the usefulness of the information. While we understand concerns over the subjectivity of unobservable inputs used to estimate fair value, we were under the impression that users, although not a monolithic group, were generally interested in information about what a reporting enterprise would receive to sell an asset at the balance sheet date. If that is the case, we do not see how reporting the net asset value of an investment provides more decisionuseful information if the reporting enterprise could not sell or redeem the investment for its net asset value. Further, citing user concerns over the subjectivity of required adjustments as a basis to depart from the requirements of Statement 157 raises questions about why the Board has not reached a similar conclusion for other hard-to-value assets. We believe the Board has appropriately rejected requests to modify Statement 157 to permit reporting enterprises to recognize hard-to-value financial assets at amounts that differ from the price they would receive to sell those assets in an orderly transaction at the measurement date. However, by concluding that reporting enterprises may use net asset value as a practical expedient to estimating the fair value of investments within the scope of the proposed FSP, we believe the Board has opened itself up to criticism from certain lobbying groups and members of Congress for not permitting a practical expedient for other types of assets where the fair value estimate requires the use of significant unobservable inputs. In addition, we are concerned that the Board's conclusions on this issue will only create a demand for similar exceptions for other types of financial assets and liabilities.

If the Board decides not to incorporate our suggestions and to issue the Exposure Draft as currently drafted as a final FSP, we believe it should make the following changes to the disclosure and transition requirements, in addition to explaining the basis for its conclusions.

Disclosure

We believe the Board should require separate presentation of investments for which a reporting enterprise elects to apply the practical expedient. We believe that separate

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presentation is necessary to avoid confusion because we believe application of the guidance will generally result in the reporting enterprise not recognizing (or disclosing) the investment at its fair value. The disclosure should not refer to the measurement as a fair value measurement; because the reporting enterprise has not considered the effects on fair value of the various terms of the investment, it will not know if the net asset value reported by the investment manager represents the price at which the reporting enterprise could sell the investment. Accordingly, we believe the Board should revise the disclosure requirement in paragraph 16(a) of the Exposure Draft to refer to the "carrying amount" or "recorded amount" instead of "fair value."

Transition

We believe a reporting enterprise that adopts the practical expedient should report the change as a change in accounting principle if the change results in the reporting enterprise excluding factors specific to the investment that it had previously considered in estimating fair value. A reporting enterprise would have included the net asset value as reported by the investment manager in determining the fair value of that investment. It would also have included the effects of any restrictions that would have affected the price it would have received if it had sold the investment at the balance sheet date. Not considering the effects of any restrictions on the fair value of the investment appears to be a change in the method of applying the principle as opposed to a change in estimate.

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We would be pleased to discuss any of our comments with the Board or the FASB staff. Please direct any questions or comments to Jeff Ellis at 312-880-3019.

Sincerely,

/s/ Jeffrey H. Ellis

Jeffrey H. Ellis Managing Director