



Technical Director
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File Reference: Proposed FSP FAS 157-g

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Ladies and Gentlemen:

We believe that the FSP is a vast improvement over the guidance that was included in the AICPA draft issues paper "FASB Statement No. 157 Valuation Considerations for Interests in Alternative Investments". The practical expedient appears to us to essentially codify present practice. We believe that to be appropriate, practical and useful. However, we believe the FSP should be clear that it intends to specify a principle and not a narrow rule. The following examples of how we would apply the principle are from our own experience and illustrate our point.

Example 1. Investors subject to the FSP may own an interest in a non-US private equity fund that reports at fair value but in accordance with accounting principles other than US GAAP. Otherwise the characteristics of the investee are consistent with an entity that reports under the investment companies Guide. In this case today, we would review the reports received from the investee and estimate and make adjustments necessary to conform the net asset value to US GAAP as best we can.

Example 2. An investor owns an interest in a private equity fund that prepares its financial statements on the income tax basis and supplementally provides a schedule of investments with fair value information. In this case today, we would adjust the tax basis net asset value to an US GAAP basis net asset value based on the best information we had available.

Example 3. An investor has a 30 June year-end and has invested in private equity funds with 31 December year-ends. Certain of the investee private equity funds provide incomplete information at 30 June although they provide audited US GAAP financial statements at 31 December. In this case today, we would develop an estimated net asset value for 30 June with the most current information available, including information from 30 June reports, 31 December audited financial statements and known transactions since the last full report.

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Example 4. An investor issues its financial statements for 31 December before it has received a final net asset value report from its investees for 31 December. In this case today, we would develop an estimate of the investees' 31 December net asset value from the best information we have available that is consistent with reporting under US GAAP (and estimate it where necessary for fact sets similar to the examples above). The processes to develop the estimate are robust and objective and they capture all the information that is reasonably available.

We believe that users of financial information are best served by making estimates such as these we described above to issue timely financial information based upon the best information then available.

Investments in private equity funds can present too many fact sets to be addressed completely in a rules environment. While the issues of extent of available information and timeliness of reporting from investees are common, they present themselves in a variety of ways and in combination with other investee-specific facts. For the FSP to be useful in practice, it should be clear to financial statement preparers and auditors that the guidance is meant to state a principle and is not intended to be a rule to be read narrowly.

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Capital Analytics is an administrator for private equity funds of funds (primary and secondary), direct funds, and their investors. At 31 December 2008, our clients had approximately \$30 billion committed to private equity funds.

We would be pleased to discuss our comments with you or answer any questions.

Very truly yours,

/s/ E. Scott Elphingstone

E. Scott Elphingstone
Senior Vice President