



October 12, 2009

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

VIA EMAIL

Re: File Reference No. 1710-100

Vedanta Capital (“Vedanta”) thanks the FASB for providing the opportunity to publicly comment on the Proposed Accounting Standards Update Subtopic 820-10, “Fair Value Measurements and Disclosures”. Vedanta is a private equity (“PE”) firm founded in 2006. Vedanta sponsors and operates PE investment funds representing approximately \$750 million of committed capital from over 60 individual and institutional clients. Such funds raise capital and invest in securities of privately held companies and/or other PE funds. Vedanta is a financial statement preparer and user.

The current disclosures provided by FASB Statement 157 have positively provided users of financial statements with more information about how investments are valued in both the public and private markets. The proprietary and confidential nature PE firms operate with their investors and investment deals are a fundamental part of the alternative asset management industry. Fair value analyses of Level 3 investments commonly contain quantitative and qualitative inputs. Inputs may also be based on proprietary and confidential information about the underlying investee entity which, if disclosed, may adversely compromise legal agreements established amongst between the PE firm, the PE fund, investors and the investee entity. PE funds’ financial statement users are typically limited to the funds’ investors and other authorized parties as determined by the general partner or PE firm. PE investors are sophisticated high net worth individuals and institutions who understand the risks, rewards, costs and benefits of private equity investing. PE firms and their investors are bound by the terms of their limited partnership agreements and side letters which contain clauses about confidentiality, proprietary information and investment valuations. Investors cannot alter their decision to invest in a fund once they have been accepted by the general partner. Investors accept the risks and rewards of investing and rely upon the expertise of the PE firm’s professionals to deploy their capital for investment opportunities that hopefully yields returns to the investor, the investee and society as a whole.

ISSUE 1:

The proposed ASU to amend Subtopic 820-10 will require PE funds to disclose a) the type of valuation techniques used/applied to the investments, b) the quantitative information about the inputs, and c) the effects of reasonably possible alternative inputs on fair value measurements for Level 3 investments. The proposal does not completely describe the level of detail expected by FASB constituents. PE fund investments typically fall into Level 3 and involve a high degree of judgment, qualitative factors and inputs. Not all PE investments can be fair valued using identical models and quantitative inputs/factors. Each investee entity or position has different inputs and factors which are unique and too complex to disclose concisely in the financial statements. Implementation of sensitivity analyses for qualitative inputs is not practical and can result in a wide variation of results that may not be meaningful to financial statement users. Disclosure of sensitivity analyses for only quantitative unobservable inputs may lead to a misrepresentation of the valuation process as a whole. Additionally, PE investments have characteristics such as business plans, business models or prospective transactions that may play into valuation decisions that are inappropriate for detail financial statement disclosure. PE firms utilize other formal and informal means to communicate to their investors about their business, investments and performance.

PE firms and related investment companies with restrictions on investor redemptions should be exempted from further detailed disclosure of valuation techniques, inputs and effects of reasonably possible alternative inputs. The FASB should consider exempting small size PE investment companies (i.e., by total assets, total commitments or # of investors) from the proposed additional fair value disclosures.

U.S. Migration to IFRS reporting:

We support FASB efforts to align U.S. GAAP with IFRS over time to ease the eventual transition and implementation in future years. However, the proposals presented in Topic 820 do not move PE investment companies closer to convergence with IFRS:

1. IFRS provides a separate set of standards for small and medium size entities (“SMEs”). IASB describes IFRS for SMEs as “designed to meet the needs and capabilities of small and medium-sized entities (SMEs), which are estimated to account for over 95 per cent of all companies around the world.” The IFRS for SMEs significantly reduces the amount of required disclosures from full IFRS. Under the Topic 820 proposal U.S. SMEs would be required to implement disclosures similar to full IFRS 7 in order to be in compliance with U.S. GAAP. As the FASB continues to increase the number of disclosure requirements under U.S. GAAP, U.S. SMEs are put at a competitive disadvantage.
2. IAS 39 acknowledges instances where fair value may not be reliably measured for equity instruments. IAS39 Par 46 (c) states “investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.” FAS 157 does not provide a similar exception for these types of investments and the proposed additional disclosures would further burden U.S. PE firms to comply with a fair value assessment framework that does not always apply to PE investments.

To further align U.S. GAAP with IFRS, we suggest new standards include the IFRS approach for SMEs and/or PE firms and investment companies.

ISSUE 2:

With respect to the reconciliation for Level 3 fair values, the separate disclosure would be operational. For investment companies with only Level 3 assets, the proposed information is disclosed in the cash flow statements where users can derive data about purchases, sales, issuances and settlements. The proposed disclosure would be repetitive and not add meaningful value for financial statement users. We recommend this information only be required if it is not adequately presented elsewhere in the financial statements.

ISSUE 3:

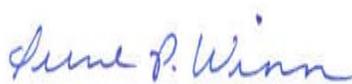
Due to the current economic environment, there has been an increase in pressure for preparers to report interim and annual information as early as possible to investors/users. To optimize the relevance of financial reports, we must balance the quality and extent of information with timeliness. Many public financial institutions already employ internal risk metrics which can be leveraged to prepare the proposed sensitivity analysis disclosures. However, many smaller non-public companies do not have such comparable resources and systems in place. The cost and effort to design and implement a new process would slow financial reporting and adversely affect our ability to report to our investors in a timely manner. There has not been enough notice given to the PE industry to implement the proposed Update for reporting periods ending after March 15, 2010. To compare with the implementation process of IFRS 7, the standard was implemented only for annual periods, and companies had over a year to implement IFRS 7. Implementation of the proposed Update in the next quarterly period will adversely affect the performance of annual audits for calendar year-end entities. The requirement would be implemented immediately for March 31 year-end entities' financial statements with inadequate preparation and transition time.

In summary, we believe the proposed disclosures for sensitivity analysis of unobservable input are inappropriate for the PE industry and the timing required for implementation would place undue burden on entities. The proposal also places small U.S. companies at a disadvantage to international companies which are able to avoid extensive disclosures under IFRS for SMEs.

Yours truly,



Philip Shih, CPA
VP Finance



Irene P. Winn, CPA
Manager