MCG
CAPITAL
CORPORATION

October 12, 2009

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

**Re: File Reference No. 1710-100**

Dear Mr. Golden:

MCG Capital Corporation ("MCG") appreciates the opportunity to comment on the Proposed FASB Accounting Standards Update: *Fair Value Measurement and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements* ("Proposed ASU"). MCG's comments are limited to questions in the Proposed ASU regarding the operationality, usefulness and cost of the proposed additional requirements for sensitivity analysis in disclosures based on Level 3 inputs.

MCG is an internally managed, non-diversified, closed-end investment company that elected to be regulated as a business development company under the *Investment Company Act of 1940*, amended ("1940 Act"). In part, the 1940 Act requires business development companies to invest at least 70% of the fair value of their total assets in private or thinly traded public U.S.-based companies. As such, the majority of the fair value of a business development company typically is composed of Level 3 investments.

The 1940 Act also requires the fair value of a business development company's portfolio to be determined in good faith by the company's board of directors following accounting principles generally accepted in the United States. In making this determination, a plethora of information must be thoroughly analyzed for every Level 3 investment, including private merger and acquisition transactions, comparisons to publicly traded comparable companies, cash flow analyses, the nature and realizable value of collateral, the portfolio company's earnings and its ability to make payments, the markets in which the portfolio company does business, market-based pricing, third-party valuations and reviews, the composition of the portfolio company's management team, the portfolio company's current and potential customer-base and supplier arrangements, the portfolio company's regulatory environment and leverages, as well as and numerous other qualitative and quantitative factors. The information supporting the determination of fair value is unique to the individual portfolio company and significant judgment must be applied in determining the fair value of nearly every investment in a business development company's portfolio.

Because the inputs for the ultimate determination of fair value are tailored to each individual portfolio company, it would be exceptionally onerous and costly for a business development company to quantify the impact of every "reasonably possible" alternative input in the valuation process for every company. For example, would a business company be required to prepare every "reasonably possible" cash flow scenario, apply every "reasonably possible" discount rate and cost of capital, test the possible impact of applying every "reasonably possible" market multiple then evaluate the relationship of this information? To do so in any meaningful way would be extremely difficult, if not impossible, as well as cost prohibitive. We believe that the resulting disclosures about the sensitivity of Level 3

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fair values would have minimal value to readers of financial reports, and because of the complexity of this analysis, may prove to confuse rather than enlighten financial statement readers. Furthermore, ASC Topic 820 currently requires considerable disclosure about the qualitative and quantitative inputs used to determine the fair value of Level 3 investments required to be reported in a company's financial statements. The inclusion of additional disclosures describing how the fair value would have changed if different inputs had been used could be misconstrued by readers of a company's financial statements that the financial position and results operations reported by company reported are flawed or inaccurate.

For these reasons, we respectfully encourage the Financial Accounting Standards Board to eliminate the requirement in the Proposed ASU to present quantitative information about reasonably possible alternative inputs for Level 3 investments. In the event that the Financial Accounting Standards Board elects to move forward with this requirement, we would recommend that the implementation date for the disclosure of Level 3 sensitivity data be delayed to periods ending after December 31, 2010.

We appreciate your consideration of these comments and welcome the opportunity to discuss them with you.

Cordially,

Linda A. Nimmons
Senior Vice President and Chief Accounting Officer