

August 3, 2009

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

Re: File Reference Proposed FSP FAS 157-g

Dear Mr. Golden:

I am writing to ask the FASB to consider modifying the scope of the 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.

Tying the scope to the Investment Companies Guide is problematic for two reasons:

- The scope of the Investment Companies Guide is unclear. During the development of that Guide, the FASB expressed concern that the scope of the Guide might be unclear, particularly as it pertains to certain venture capital investment companies. Preparers and auditors shared that view, as noted in paragraph A.3 of Statement of Position 07-1, *Clarification of the Scope of the Audit and Accounting Guide*, Audits of Investment Companies, and *Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies*. Although the AICPA issued SOP 07-1 in an attempt to clarify the scope of the Guide, the FASB indefinitely deferred its provisions. Yet those provisions appear in the FASB *Accounting Standards Codification*,TM which serves to further muddy the waters of which entities are within the scope of the Guide.
- Applying the legal definition of an investment company also can be complex, as discussed in *Investment Company Determination under the 1940 Act: Exemptions and Exceptions* by Robert H. Rosenblum, © American Bar Association, Section of Business Law.
- A scope tied to the Investment Companies Guide is unnecessarily limited—there are other types of investments for which net asset value (NAV) is a reasonable estimate of fair value.

Rather than tie the scope of proposed FSP 157-g to the Investment Companies Guide, I believe it preferable to identify the underlying characteristics that make NAV “the most relevant estimate of fair value available that would not require undue cost and effort for investments within the scope of this FSP.”

After reviewing FASB ASC 948-10-15 and thinking about the characteristics of an investee that would make NAV a reasonable estimate of fair value, I suggest, as a starting point, that the scope of the FSP be modified to include investees that have all of the following characteristics:

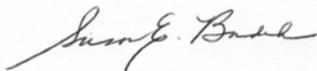
- The fair value of the investment in the investee is not readily determinable, as that term is defined in FASB ASC 320, FASB ASC 944-320, or FASB ASC 958-320.
- The investee's primary activity involves investing its assets, usually in the securities of other entities not under common management, for current income, appreciation, or both.
- Ownership in the investee is identified by a means, such as units, shares, or proportions (all, half, one percent), that indicate the proportionate ownership of the investee's net assets.
- All investors in the class for which net asset value is computed have identical rights, the only difference being the proportionate size of the investor's interest.
- The assets (investments) of the investee are reported at fair value or are current assets for which carrying amount is representative of net realizable value.
- The liabilities of the investee have one of the following characteristics: (a) there are no liabilities at the measurement date, (b) there are only current liabilities for which carrying amount is representative of settlement amount, or (c) liabilities are reported at fair value.
- The investee is the reporting entity.

If the scope were modified in this manner, then FSP FAS 157-g also could be used to answer questions about measuring fair value of the following:

- Investments in certain off-shore investments
- Interests in common or collective trusts operated by financial institutions
- Interests in perpetual charitable trusts
- Interests in other entities that do not necessarily meet the definition of an investment company per the Investment Companies Guide, but which exist and operate in a manner substantially similar to an investment company

Thank you for consideration of my suggestion.

Regards,



Susan E. Budak, CPA