From:	Holmes, W. Stephen
To:	Director - FASB
Subject:	File Reference No. 1710-100
Date:	Monday, October 12, 2009 8:02:45 PM

VIA E-Mail Only – Director@fasb.org

October 12, 2009

Technical Director
Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: **Exposure Draft of a Proposed Accounting Standards Update**
Fair Value Measurements and Disclosures (Topic 820)
Improving Disclosure about Fair Value Measurements
File Reference No. 1710-100

I am InterWest Partner's Chief Financial Officer and a General Partner. InterWest Partners is one of the nation's oldest and largest venture capital firms. InterWest has cumulatively raised over $2.9 billion in capital commitments from a Blue Chip list of over 125 institutional investors since its founding 30 years ago. This money has been invested in over 350 early stage companies. Some of these investments have been extremely successful; a large number have been total failures. That's the nature of venture capital investing.

I am also on FASB's SBAC and I am a member of the National Venture Capital Association's ("NVCA") Board of Directors. Additionally, I am one of the principle drafters of the Private Equity Industry Guidelines Group's ("PEIGG") Valuation Guidelines for the private equity industry and I am a member of the International Private Equity Valuation Board ("IPEV").

The purpose of this comment letter is to let you know that I believe that FASB's proposed disclosure of the effect of changes in reasonably possible, significant alternative inputs for Level 3 fair value measurements will NOT provide meaningful data to the investors *of venture capital funds*. I strongly believe that venture capital funds should be exempted from the requirement to produce such data.

You have already received comment letters from both the NVCA and another prominent, well-established venture capital firm, U.S. Venture Partners. I agree with their well-stated and detailed technical discussion and conclusion regarding this matter. I cannot improve on what they have already stated.

With this brief email I would simply like to reinforce several very basic facts that apply to our industry:

1. I have talked to a large number of the "users" of InterWest's financial statements regarding the proposed sensitivity analysis for Level 3 valuations. ***Every one of these "users" has told me that this proposed requirement would not generate any meaningful information that they would use and that they did not want us, the preparer, spending money or time trying to perform such analyses.***

2. When we prepare our quarterly valuations, a great deal of subjectivity and judgment is required for valuing each of our investments, the vast majority of which are privately held and are early stage companies trying to create "the next big thing". We do not, and cannot, use models with explicit external variables that automatically create a valuation for a very young company based on assumptions regarding external indices such as interest rates, P/E multiples, GNP growth rate, market share percentages, etc. In fact, many of our companies are trying to create a revolutionary product to address a potential market that does not even

exist yet. That is the nature of most technological breakthroughs.

The cost of implementing the proposed sensitivity analyses for the venture capital industry would be very significant.

The benefit to the user of these analyses would range from nil to negligible.

In short, the results of such sensitivity analyses performed by venture capital firms would have a very poor cost/benefit ratio for the users. This is contrary to Topic 820's explicit provision for the use of valuation inputs that are "reasonably available without undue cost and effort".

Thank you for the opportunity to provide this commentary. If you would like to discuss this with me, please feel free to call me at any time.

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