



September 7, 2010

Technical Director
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VIA EMAIL

**Proposed Accounting Standards Update,
“Fair Value Measurement and Disclosure (Topic 820),” issued June 29 2010.
File Reference 1830-100.**

Dear Technical Director:

Adams Street Partners, LLC (Adams Street Partners) is pleased to comment on the above referenced proposed Accounting Standards Update, *Fair Value Measurement and Disclosure* (Topic 820), (hereinafter, “the Proposed ASU”). As a global investor with offices in London and Singapore, we support the FASB’s ongoing efforts to converge this standard with the IFRS fair value measurement standard. We continue to be concerned that the very effective GAAP standards built on fair value concepts as part of Investment Company accounting as it has evolved over the last 30 years will be lost in a desire to meet unrealistic target dates for completing convergence.

Adams Street Partners manages over \$21 billion in assets under management, over \$19 billion of that in fund of funds. Our clients are global institutional entities, primarily pension and benefit plans, often operating under ERISA, with their own fair value disclosure and reporting needs. Both directly as a fund of funds investor since before 1980, and indirectly for our clients, we represent a limited partner and investor point of view in our comments on the Proposed ASU.

The 2009 FASB exposure draft, *Proposed Accounting Standards Update, “Fair Value Measurement and Disclosure (Topic 820),”* first raised the question of disclosures of Measurement Uncertainty or Sensitivity Analysis. Our comment letter, dated October 12, 2009 and attached as Appendix, sets out our views on the impact that a requirement for such disclosure would have on financial reporting. We indicated in our comment letter that we do not believe such analysis provides decision useful information regarding investments in private equity and venture capital. We concur with the decision that the FASB reached to exclude unquoted equity instruments from such a disclosure requirement in the project on Financial Instruments. We have commented below on the specific questions that would impact Adams Street Partners.

FASB Question 1

This Exposure Draft represents the Board's commitment toward developing common fair value measurement guidance with the IASB. Do you think the proposed amendments:

a. Would improve the understandability of the fair value measurement guidance in U.S. GAAP? If not, why not?

As global investors, we fully support the GAAP/IFRS convergence projects. As investors in more than 100 private equity and venture capital funds outside the United States, we have noted over the last 15 years that the global GP community has been converging on the standard of U.S. GAAP and, more specifically, Investment Company accounting. Fair value reporting is obviously a critical aspect of Investment Company accounting and reporting. We are concerned that any changes would move away from that de facto global standard. We have detailed below our specific concerns. We are aware of industry and professional groups that will be commenting on the Proposed ASU and we support those industry concerns and views.

b. Would result in any unintended consequences on the application of the proposed amendments? If so, please describe those consequences.

We do have some concerns as to unintended consequences from what we believe are intended as minor changes to fair value measurement principles.

First, we have some concerns as to an overly narrow definition of unit of account. While the unit of account concept can be used effectively to describe each ownership interest's unique legal and economic terms, when units are used in a private equity setting they are just a convenient way to measure ownership. Private equity and venture capital only think in terms of what direct percentage of the enterprise as a whole they own.

Private equity and venture capital entities are valued using the enterprise's total value and then translate that into what share the individual investor has in the enterprise. A difference in valuation across investors derives primarily from a difference in enterprise value not in how it is owned. Driving value primarily from an individual share basis assumes the existence of markets for those ownership interests and market forces that are likely not significant for the private equity valuation process. To be useful for private equity, the unit of account concept needs to be broad enough to take into account a wide range of equity and debt/equity ownership structures and ownership interests with a variety of rights.

Second, restricting the highest and best-use and in-exchange valuation premises to non-financial assets places too much importance on defining illiquid assets as financial assets. This could lead to valuation by form over substance. Retaining highest and best-use and in-exchange valuation for financial assets will allow those concepts to be used when needed in the context of the value of the underlying entity. We do not think valuations should be based on a decision to classify an ownership interest as a financial asset.

FASB Question 2:

The Board has decided to specify that the concepts of highest and best use and valuation premise are only to be applied when measuring the fair value of nonfinancial assets. Are there situations in which those concepts could be applied to financial assets or to liabilities? If so, please describe those situations.

As noted in our answer to question 1(b) above, we disagree with restricting the use of the concepts of highest and best use to nonfinancial assets. Long-term investing for private equity and venture capital involves assessing long-term prospects today. Investments in illiquid private equity and venture capital investments resemble illiquid nonfinancial assets in assessing current fair value. Limiting the concepts of highest and best use and valuation to nonfinancial assets would limit the ability of market participants to use a concept that they currently use to value investments. Investors, management and boards in private equity and venture capital are often torn deciding between transactions involving strategic buyers who would be willing to pay now and the longer path of taking a company public. Or alternatively, these same groups may be looking for a strategic buyer versus having to go down the path of liquidating a company.

FASB Question 5:

The Board has decided to clarify the meaning of a blockage factor and to prohibit the use of a blockage factor when fair value is measured using a quoted price for an asset or a liability (or similar assets or liabilities). Do you think that proposal is appropriate? If not, why not?

As an investor we are often distributed public shares from the funds we have invested in subsequent to the end of the required regulatory lock-up periods. It is our experience that the vast majority of the shares distributed to us if sold that day, or over the course of the next 15 days, will generally result in proceeds less than the distribution amount. This market based experience is at odds with the prohibition of the use of blockage factors. We believe blockage is a natural impact of holding a large position in a thinly traded stock.

Thus, we would recommend that blockage as a concept be allowed, with the acceptable ranges of that being dictated by documented experience. We think this will become even more necessary as public markets become more globalized. We do not look forward to a time in the future where we receive a stock distribution for a thinly traded company on, for example, the South African exchange and feel forced into valuing that company without an appropriate adjustment for what we would actually be able to receive when we sold that stock.

FASB Question 6:

The Board has decided to specify that other premiums and discounts (for example, a control premium or a noncontrolling interest discount) should be taken into account in fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy when market participants would take into account those premiums or discounts when pricing an asset or a liability consistent with the unit of account for that asset or liability.

a. Do you think that proposal is appropriate? If not, why not?

We believe all features that influence enterprise value should be taking into account when fair value is determined. The proposed ASU appears to allow control features to be included in the valuation estimate, but we have some concerns that other proposed changes to blockage and unit of account may effectively prohibit control premiums or discounts. Anything that can be done to clarify this would be helpful.

b. When the unit of account for a particular asset or liability is not clearly specified in another Topic, how would you apply that proposed guidance in practice? Please describe the circumstances (that is, the asset or liability and the relevant Topic) for which the unit of account is not clear.

As noted above, a market participant should determine the unit of account based on how the private equity or venture capital investment is viewed, that is, from a total investment standpoint.

FASB Question 7:

The Board has decided to require a reporting entity to disclose a measurement uncertainty analysis that takes into account the effect of correlation between unobservable inputs for recurring fair value measurements categorized within Level 3 of the fair value hierarchy unless another Topic specifies that such a disclosure is not required for a particular asset or liability (for example, the Board has decided in its project on the accounting for financial instruments that a measurement uncertainty analysis disclosure would not be required for investments in unquoted equity instruments). Do you think that proposal is appropriate? If not, why not?

IASB Questions 1 & 2:

Are there circumstances in which taking into account the effect of the correlation between unobservable inputs (a) would not be operational (eg for cost-benefit reasons) or (b) would not be appropriate? If so, please describe those circumstances.

If the effect of correlation between unobservable inputs were not required, would the measurement uncertainty analysis prove meaningful information? Why or why not?

While we understand that the Board has decided in its project on the accounting for financial instruments that a measurement uncertainty analysis disclosure would not be required for investments in unquoted equity instruments, we are concerned that this provision is not part of the IASB re-exposure draft and that this provision will not be enacted until the ASU on Financial

Instruments is finalized. We suggest that the Board include the exemption from disclosure for investments in the equity of private companies within Topic 820 to avoid any confusion from waiting for the ASU on Financial Instruments

We are also concerned that this exemption for unquoted equity securities may not be applicable to investments in the debt of private companies or to investments in private equity funds.

We think private equity investments in debt of investee private companies should also be exempted. As discussed above, private equity investors view the money invested in an entity on the basis of what they own of the total enterprise. This may, at any point in time, be a combination of equity and debt. We do not believe the disclosures of measurement uncertainty would be any more meaningful for the debt than for the equity in such a private company.

Most investors in private equity funds are done through limited partnership interests, which could be considered unquoted equity instruments. In some structures used outside the U.S., investors' interests are made up of a significant debt position combined with a small equity position. The investment is structured as debt to take advantage of local tax regimes.

Some of the example disclosures provided appear to require Limited Partner investors in private equity funds to provide measurement uncertainty estimates (example at paragraph 820-10-55-80) or from the "fund investment statements" (IASB exposure draft, example 1.) We do not believe that these disclosures would be either operational or decision useful.

Limited partners in such funds will be accounting for their investments primarily through ASU 2009-12. While each limited partner will have qualitative information about the valuation processes at the underlying fund as per the original and on-going due diligence required by ASU 2009-12, and while they will also likely have audited financial statements of the underlying funds, the limited partners will not likely have the ability or access to information to make the judgments required for the range of values disclosure shown in the examples. A measurement uncertainty analysis when summarized across a number of private equity and venture capital funds would not be meaningful. Such an analysis would be costly and time consuming and would require input from all underlying funds.

As noted in our comment letter from 2009, as an active manager of private equity and venture capital investments, we do not see how we or our limited partner investors would use a measurement uncertainty analysis to manage or to make better investments. If the effect of correlation between unobservable inputs were not required disclosure, we do not think that a measurement uncertainty analysis would provide any meaningful information either. We believe that current Investment Company financial reporting at fair value is more than adequate financial disclosure.

FASB Question 8; IASB Question 3:

Are there alternative disclosures to the proposed measurement uncertainty analysis that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorized within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.

As a limited partner and investor, we currently receive disclosures under the Investment Company accounting and reporting rules that meet our needs. Investment company financial statements are at fair value and disclose significant information in the schedule of investments about what we have invested in including the specific names and valuations of the portfolio companies, related tables summarizing meaningful exposures and descriptive notes to the financial statements. We receive this reporting every quarter from our GPs and it gives us the information we need to track each of the over 500 funds we are invested in and to also track the cost and fair value of the over 5,000 portfolio companies we are indirectly invested in. Since the convergence work has resulting in the continuation of Investment Company accounting, we do not believe there is more cost-beneficial information that should be added to the financial statements.

FASB Question 11:

The amendments in this proposed Update would apply to public and nonpublic entities (that is, private companies and not-for-profit organizations). Should any of the proposed amendments be different for nonpublic entities? If so, please identify those proposed amendments and describe how and why you think they should be different.

As noted above, we do not believe that the proposed measurement uncertainty disclosures would provide useful information for financial statement users.

FASB Question 12: How much time do you think constituents would need to prepare for and implement the amendments in this proposed Update?

We have outlined our concerns and issues above regarding preparing and implementing the amendments in the Proposed ASU. As most of these concerns involve clarifying definitions or practical considerations, the time to implement the amendments in this proposed update could vary drastically depending on the answers. Time to prepare could be fairly minimal if the guidance provided is clear and if there are no new disclosures requirements.

We appreciate the opportunity to comment on this Proposed ASU. If I can offer any further clarification please feel free to call me at 312-553-7877.

Very truly yours,

/s/ William J. Hupp

William J. Hupp
Chief Financial Officer and Treasurer

Appendix

October 12, 2009

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RE: File Reference 1710-100

Comment Letter on Proposed Accounting Standards Update, “Fair Value Measurement and Disclosure (Topic 820),” issued August 28, 2009

Dear Technical Director:

Adams Street Partners appreciates the opportunity to provide our comments on Proposed Accounting Standards Update, “Fair Value Measurement and Disclosure (Topic 820),” issued August 28, 2009. The FASB Board has invited specific comments on the proposed Update as to sensitivity disclosures, the operational nature of additional disclosures as to reconciling items during the period reported, and the effective date. Our comments are based on the impact of the Proposed Accounting Standards Update on Adams Street Partners as both a general partner, an organization who must prepare such disclosures, and also as a limited partner, an organization that would be a primary user of such additional disclosures. (Appendix A provides more information about Adams Street Partners, LLC.)

Impact of Sensitivity Disclosures on Adams Street Partners as a General Partner

As a general partner and fund sponsor, Adams Street Partners would be a preparer of the new proposed sensitivity disclosures. We believe that application of the proposed disclosure rules to venture capital and private equity funds would not be operational. Creating these disclosures each quarter would be costly and potentially disruptive to the normal operations of our direct investing team. We also believe that such information would be almost impossible to summarize in a meaningful form for disclosure.

The proposed ASU calls for disclosures as to the effect of “reasonably possible significant alternative inputs for Level 3 fair value measurements” that would increase or decrease the fair value “significantly.” “Reasonably possible” alternative inputs are those inputs that are “not remote but less than likely.” These concepts would need to be clarified relative to the current

process for valuing the unique portfolio companies we invest in. Private equity and venture capital portfolio companies are primarily companies where the equity investor expects to make specific changes over time to a company or develop a new product in order to make the company more valuable over time. The investment professionals think of the values of the companies as revealed over time as the companies make or fail to make developmental milestones. Valuations are heavily event driven. Often a value of 0 is reasonably possible, as are values at multiples of the previous valuation. The range of value both currently and ultimately can be very large. There are no common elements in these milestones that would appear to offer any way to provide meaningful sensitivity analysis.

The example disclosure in Case D suggests that the increase and decrease in fair value would be calculated from the effect of reasonably possible alternative inputs. Since the investments in a portfolio are by-in-large not homogeneous, it would be virtually impossible to come up with any type of “weighted average of the key significant inputs” much less keep the list of key inputs to a reasonable number to iterate over. If a fund’s portfolio companies were concentrated in a particular geographic area or related to a particular commodity, for example the price of oil, it might be possible to comment on the impact of that factor on the portfolio as a whole. But even in that case it would be difficult to quantify what would be the increase and decrease in fair value from varying such an input over a wide range of reasonably possible inputs. Trying to summarize the results across a portfolio in a table as suggested in the example would be very challenging, time consuming and likely in the end not be meaningful.

The suggested sensitivity analyses may be a helpful disclosure for bond or mortgage portfolios and be similar to internal risk analyses that are done in those businesses; we do no internal analysis that would analogize to what is being suggested in the footnote example. If we do not find such analysis useful in making and managing these investments, it seems unlikely that it would be of value to the investors in our funds. Investments in private equity and venture capital are long term investments. Investment professionals in venture capital and private equity are much more focused on what the potential future value of the investment will be and what the steps are to get to that point, than in the possible variation in value of an investment today. Often this potential exit information is shared in general descriptive qualitative ways with limited partners. This information is in almost all cases proprietary and confidential, and much more meaningful than any derived summary statistical analysis of current value could be. Trying to determine a range of current value by varying factors over a range and documenting that would take investment partners away from their normal work and thus be disruptive to current operations.

The additional time and effort required would likely delay reporting to investors. This would likely be particularly true for the year end audited financial statements, when this disclosure would need to be audited. As discussed below, it seems unlikely that such disclosures would be used by the limited partners. Any delay in receiving the year end financials and audits would also be looked at negatively by limited partners.

Impact of Sensitivity Disclosures on Adams Street Partners as a Limited Partner

Adams Street Partners, as a fund of funds sponsor, is a limited partner who actively uses every quarter the fund financial statements provided to us by the general partners. We would have to be part of any target audience for the sensitivity disclosures being proposed.

As limited partners, we are already aware through our investment due diligence and ongoing monitoring of the expertise of the general partner, their investment plans for that fund, and their candid views on the prospects for the investments they have made. We participate on valuation and limited partner advisory committees for more than 100 of the funds we invest in. A sensitivity analysis, particularly summarized at the portfolio level, is not something currently provided by the general partners we are invested in, nor have we ever asked for this type of analysis from our general partners. It is unclear to us as limited partners how these new disclosures would be used and we believe they would likely not be used.

Adams Street Partners is an active secondary buyer of private equity and venture capital fund interests. While our secondary team might find sensitivity information of some limited use, they would still do their own valuation analysis at the portfolio company level if they had the opportunity to purchase a secondary interest. They would also be much more inclined to think like the other investment professionals, not in terms of current value, but in terms of longer term exit values. This makes sense since these are illiquid assets that cannot be easily exited from and if exited from prematurely would likely not bring the value that the investment professional is investing for.

Finally, considering that we will value the investments in the partnerships we have invested in at fair value NAV in accordance with ASU 2009-12, we would not use the disclosures in our own financial statement reporting process.

Thus, as investors there does not appear to be any benefit to the proposed sensitivity disclosures for the additional costs incurred. We would expect that these costs would ultimately be to be passed on to us as investors in the form of expenses or lowered returns.

Reconciliation Details and Effective Date Issues

As to the reconciliation details and effective date issues, we question whether it is effective disclosure. Much of that information is available at some level of detail already as part of a fund financial statement prepared in accordance with Investment Company GAAP. Providing more detailed reconciliations would not be without cost to gather and report. As limited partners in over 550 venture capital and private equity funds, if they were provided we would not use reconciliation details for Level 3 assets. We believe the additional costs for this level of detail are not supported by the needs of the limited partners and we would recommend exempting funds that report as investment companies from these specific disclosure requirements.

Conclusion

Private equity and venture capital funds already make significantly detailed disclosures in the fund financial statements provided to investors. It is standard disclosure language to caution readers as to the subjectivity of the valuations used and to warn them that if a ready market existed the differences would likely be materially different. Most limited partners, often through limited partnership agreements, have access to additional information from the general partners about the underlying portfolio company investments which provides them with a more direct understanding of the risks and possible outcomes than any mathematically derived range could.

Thus, the operational difficulties of these proposed disclosures as noted above combined with the additional cost and the lack of demand by investors for this information, suggests that it would make sense for the FASB to not require these disclosures for private equity and venture capital funds. A way to do that consistent with ASU 2009-12 would be to exempt entities that currently report under the Investment Company GAAP set out in Topic 946.

We appreciate the opportunity to comment on this Proposed ASU. If I can offer any further clarification please feel free to call me at 312-553-7877.

Very truly yours,

/s/ William J. Hupp

William J. Hupp
Chief Financial Officer and Treasurer

Appendix A

Adams Street Partners, LLC

Adams Street Partners is a registered investment advisor, providing investment advisory services to clients who wish to pool their investment assets with those of other investors. We have provided discretionary investment advice for our clients on a separate account basis and through a variety of investment vehicles, including collective trusts, offshore trusts and limited partnerships. We currently manage over \$20 billion in assets under management. From our beginning as a part of First National Bank of Chicago in 1972 through our current status as an independent registered investment advisor, we have operated as a fiduciary for our clients. In general, our clients are institutional entities, often operating under ERISA or similar regulations in their countries. Adams Street Partners, the operating management company, is both investment advisor and general partner for the current investment vehicles we advise.

As one of the original providers of access to first venture capital and then more broadly private equity investing through a fund of funds structure, we are intimately aware of the issues and complexities of such structures. We have also been an active participant in secondary interest transactions going back to the 1980s. In all of these endeavors we have followed standards of fair value and transparency in reporting.