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Ben Couch
Practice Fellow
Financial Accounting Standards Board
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BY EMAIL

Dear Ben:

On behalf of my client, the National Venture Capital Association, thank you again for speaking with David Larsen and me about the Board's tentative decision to require disclosure of quantitative inputs and assumptions on Level 3 fair values. As we noted on the call this new requirement has caused venture capital firm CFOs concern for a number of reasons. NVCA appreciates your openness to our input on these issues.

Over the past two weeks, considerable and thoughtful discussion and experimentation has occurred among NVCA members as they have tried to climb the learning curve on this new requirement. Besides thanking you and Hillary again, I want to update you on the outcome of these discussions among some of our most experienced and expert CFOs, including at least one who brings an LP investor perspective.

On the positive side, it seems that at least some have been able to identify information that could be disclosed that would be compliant with the new requirement. On the other hand, there is a clear consensus that there is little, if any, benefit to venture fund investors in this information. No one who has participated in our discussions sees how the quantitative information that goes into Level 3 valuations is meaningful to venture fund investors. As David explained on the call, the measurement methodologies for the vast majority of venture capital fund assets – securities of start-up companies -- simply do not lend themselves to meaningful quantitative disclosure.

At the same time, our internal discussions have highlighted the risk that this new requirement will cause auditors (or those who oversee auditors) to require venture capital funds to generate information that is not only costly and lacking in decision-usefulness, but is simply beside the point.

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We appreciate the wide range of situations to which FASB's disclosure rules must apply and the fact that venture capital is just a sliver of the fair value reporting universe. We also appreciate the consideration already given by the Board to the unique cost-benefit considerations of private companies and small businesses. With that thought in mind, we wonder whether the Board would consider an exception for "unquoted securities" of private companies held as assets. In the absence of such an exception, or the "undue cost and effort" language, we strongly encourage you and your colleagues to make it clear in the final rules that the quantitative disclosure is intended to apply only to those inputs actually used by the reporting entity in measuring the fair value of assets classified in Level 3. Otherwise, we continue to see a significant risk of detrimental unintended consequences arising from the implementation of this new requirement.

We are always ready to discuss these or any other issues on which NVCA and its members can assist the Board in its mission.

Sincerely yours,

Brian /s/

Brian T. Borders, Esq.

for

The National Venture Capital Association

cc

Hilary Eastman, Senior Technical Manager, IASB

David Larsen, Duff & Phelps

John Taylor, Vice President, Research, NVCA