

August 17, 2018

VIA Email

AICPA PE/VC Task Force

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RE: Working Draft of AICPA Accounting and Valuation Guide,“Valuation of Portfolio Company Investments of Venture Capital and Private Equity Funds and Other Investment Companies”, May 15, 2018

Dear Task Force Members:

 The National Venture Capital Association (NVCA)[[1]](#footnote-1) welcomes the opportunity to comment on the Working Draft of the Guide (Draft Guide). Having followed this process with much interest over its many years, we greatly appreciate the time, effort and resources that the AIPCA and the individual PE/VC Task Force members have devoted to developing the Draft Guide. The Draft Guide’s length and depth reflect the diligence and professionalism of Task Force members and AICPA staff.

 While neither authoritative nor an audit guide, the Guide will be highly influential among auditors and valuation specialists used by auditors in venture capital fund audits. Therefore, NVCA is committed to helping the AICPA develop a final Guide that will improve the quality of portfolio company valuations and, very importantly, the efficiency with which they are reported to investors. The Draft Guide is an important step in this direction. We appreciate the PE/VC Task Force’s efforts to elevate the roles of the “marketplace participant” perspective, flexibility in valuation methods and respect for professional judgment in valuation estimates.

 In venture capital, the fund managers, (GPs or “deal partners”) who lead fund efforts to identify and help develop very early-stage companies are the marketplace participants. In such young companies, it is usually the experience and intuition of these deal partners operating in the marketplace, rather than financial metrics or models that determine the fair values of fund assets. It is upon their judgment that investment decisions are made, firmly establishing the Topic 820 fair value with real dollars. Since FAS 157/Topic 820, determining asset values between financing events has proven to be a great challenge, and complex valuation methods and models do not always correlate with the price that a market participant would pay for early stage (“level 3”) companies. Therefore, we are encouraged by the Draft Guide’s attempt to provide funds with the flexibility to choose the valuation techniques most suitable to comply with GAAP in this nuanced area.

 Our comments on all financial reporting matters are guided by the active input of our CFO Task Force. This group is made up of the Chief Financial Officers and Administrative Partners of more than 100 of our member firms. Most of our CFO Task Force Members are CPAs and many have practiced accounting with leading national firms.

 Given the importance of the Draft Guide, the Task Force formed a special Working Group to evaluate it. While these experienced volunteers worked diligently, the length and depth of the Draft Guide precludes us from providing a comprehensive set of detailed comments. Since our expertise lies in venture capital fund assets, our Working Group focused its efforts primarily on the Case Studies pertaining to venture capital. Given the Draft Guide’s scope and detail, we are certain that a larger working group with more time would find other points to improve the final product.

1. **GENERAL COMMENTS**

 We see the Draft Guide as an important step forward and appreciate the AICPA’s effort to focus on this difficult area. No doubt the Guide’s voluminous nature reflects the difficulty of applying Topic 820’s requirements to assets whose value is only known with certainty when an arms-length transaction occurs.

 A focus on cost effective use of resources, both human and financial is key to protecting the interests of our limited partner investors’ (LPs) in venture capital funds (VCFs). Valuing fund assets is both important and challenging. The validation and documentation of inherently subjective estimates of the value of each asset are also the most likely subjects of contention between the fund manager and auditors. Much of this tension comes from differing emphasis on the types of tools used in valuation and the difficulty of auditing values based largely on the qualitative judgments of venture capital professionals.

 Past experience with auditors’ use of AICPA guidance makes us cautious of unintended consequences. We note that the Guide is explicitly not an audit guide. However, we know from experience that auditors use AICPA guidance as audit tools – even in “off-label” ways. AICPA Publications provide a 3rd party expert “authority,” whether they are intended as such or not, upon which to base an audit procedure.

 For example, VC fund auditors have used an AICPA Practice Aid[[2]](#footnote-2) on stock compensation as a source of authority for mandating the use of option pricing models for valuing VC fund assets. This Practice Aid was cited by auditors to support requirements to use option pricing models in valuing venture fund portfolio companies despite its explicit statement that “[t]his Practice Aid is not intended to focus on determining the value of an enterprise as a whole but rather the value of individual common shares that constitute a minority of the outstanding securities.”[[3]](#footnote-3) With this experience in mind, we urge that the final Guide be emphatic on the primacy of the marketplace participant perspective and flexibility in VCF valuations. We recommend that the “Background” section be more assertive in this regard. For example, the last sentence of .03 could emphasize this point if it concluded with: “… consistent with Topic 820’s requirement to use market participant assumptions.”

 Similarly, though the Guide specifies the importance of independent judgment and flexibility in its use, we recommend that the final Guide be more emphatic on these points. For example, paragraph .04 would benefit from the addition of a sentence that reads: “These ‘best practices’ are not standards but provide guidance for those who must apply professional judgment to the valuation of each asset.”

 The use of the term “best practice” is one of our general concerns since *in practice* a “best practice” often becomes a required practice. While the Task Force no doubt intends the term to mean what it means, the too-frequent misinterpretation of that term loads it with the potential for unintended consequences. This risk can be easily mitigated by avoiding the term. For example, paragraph .09 would lose none of its meaning if it began “This guide provides the task force’s views regarding ~~best practice~~ appropriate considerations ….”

 In general, our Working Group finds the valuation methods and theory in the Draft Guide overly complex for purposes of valuation of the VCF investments. Specifically, the models cited are not what venture fund market participants -- deal partners -- use to price early-stage investments in portfolio companies. Venture fund CFOs have frequently observed that on valuation issues, true early-stage venture capital funds are swept into prescriptive practices better suited to the far-larger and quite dissimilar private equity investment class. This has resulted in complex sets of rules that are difficult to apply. In order to avoid the repetition of this outcome through the final Guide, we urge that the final Guide explicitly recognize that in early stage investments there is no model that is a better predictor of outcomes (and values) than a seasoned venture fund GP.

 Many of our Working Group members find the Guide to be difficult to use because of its complexity and its compartmentalized structure. Some of our Detailed Comments below cite examples where cross-references would be very helpful. We recommend that the Task Force itself work with editorial specialists on a thorough review of the Draft Guide with an eye toward adding cross-references where they would be helpful and making all of the guidance more accessible to those without a valuation background.[[4]](#footnote-4) The Task Force’s extensive effort to provide comprehensive guidance should be complimented by a similar commitment to present that guidance clearly. On our part, the importance of straightforward communication drives the manner in which we deliver our Working Group’s comments.

 Our Working Group members have significant experience in valuations and are far more facile in the language of valuation than I, or any member of the NVCA staff could be. Therefore, the most helpful specific comments we can provide are those that come directly from our Working Group members and other CFOTF members. On this basis, and with the utmost respect for the professionalism of each Task Force member, the Direct Comments below are essentially the “raw” comments of VC CFOs. Our Working Group has devoted significant time and effort to reading and thinking about how the Draft Guide would work in application and offering suggestions for its improvement. In this context we trust that their candid comments will be most constructive for the Task Force to hear.

**II. DIRECT COMMENTS FROM VENTURE CAPITAL CFOs (in italics)**

1. **DETAILED COMMENTS ON PART I, CHAPTERS 1-14 OF THE DRAFT GUIDE**

Paragraphs 8.22-8.23

*The Draft Guide discusses three valuation approaches: CVM (waterfall), OPM, and Scenario-Based methods. Any of the three approaches may be appropriate depending on the portfolio company’s stage of development and a consideration of a number of criteria outlined in the Draft Guide.  Each approach has its advantages and disadvantages.  The Draft Guide requires a development of a calibration model at investment date using the post-money value. This initial model is “backed into” based on anticipated investment returns, exit strategy and timing, and future dilution*.

*For an early stage company with binary expected outcomes (success or failure), the guide (8.22-8.23) recommends the simplified scenario analysis approach to be more appropriate than OPM since it does not need to account for downside protection (preferred liquidation preference).  Although this approach is intuitive and appears easy to implement compared to OPM, even the simplified scenario-based analysis requires a number of highly subjective assumptions/inputs in the valuation model such as:*

* *estimation of future exit price*
* *anticipated exit timing*
* *anticipated future dilution at the time of exit*
* *discount rate*
* *scenario probabilities*

*The assumptions underlying the simplified scenario-based approach can be highly speculative and can be difficult to estimate and support/audit objectively.  The Draft Guide requires adequate documentation of the underlying assumptions which many might find difficult to put together.*

*In my view, in order to keep it simple for the early stage company, the determination should be made whether the market participant would consider the liquidation preferences at the measurement date. If the liquidation preferences are not considered by market participants, it should be reasonable to value an equity investment based on its pro-rata interest in the total equity of the company (i.e. Post Money) without creating a calibration model.  Alternatively, the OPM may be more appropriate to use if liquidation preferences are considered by market participants and investment holdings include option-like securities (i.e. common, option, and warrant).  Judgment needs to be applied at each subsequent measurement date following the equity financing to assess the company’s performance relative to plan, and therefore, determine if an adjustment to valuation is necessary. This would be similar to a “safe harbor” approach only applicable to early stage investments.*

Paragraph 8.75 Investments in participating preferred.

*This paragraph implies that a fund should value the two components separately using different methods (models) which seems overly complex to me. However, the flow chart in 8.67 indicates that there are a variety of methods that can be used. When I initially read 8.75, I thought I would have to first use the yield method to value the participation feature and then value the remaining equity value using a second method. Upon discussion with others, it appears that an OPM model (one model) would be sufficient to value the participating preferred stock. The language that one model can be used instead of two exists only on the last line of the flowchart in 8.67. I would recommend adding this sentence to the end of 8.75 to clarify: “Or an OPM model, the hybrid method or a full scenario analysis could be used.”*

Paragraph 9.27 DLOM:

*I am confused about when to use a discount. The market approach in Par 5.06 indicates that we are to calibrate the revenue multiple to the initial funding of the company rather than apply a DLOM to the enterprise value (which has been historical practice for those using Ipreo software/ or having Quist or SVB prepare valuations). Yet Appendix B paragraphs 8.01-8.08 are full of methods for calculating the DLOM. Therefore, I am now confused about when to use a DLOM. It seems that the Guide is trying to say that there is a market for private companies, so no need for a DLOM. So, I guess the Guide says that it is more appropriate to apply a discount at the security level. However, how do you actually make the calculation to determine if the discount for selling one’s Series A is any different than selling one’s Series F? I see a list of potential factors but weighting them that would be completely subjective. This is going to be very difficult to calculate, and then to audit.*

Paragraph 9.33 Restricted Stock investments (restriction a characteristic of the investment):

*The paragraph states that the decline in discount over time would not be linear, but instead decline more gradually at first. Par 13.14 also discusses the fair value for an asset with a restriction (a characteristic of the investment) should take the duration of the restriction and the risk (volatility) of the price into account. It then refers to appendix B, paragraph 8.01-8.08 which contains a variety of methods (all complex) for calculating discount for lack of marketability –Longstaff, Finnerty etc. This is unnecessary complexity for venture funds with many investments in Level 3 assets. By far, the most common restriction in the venture space is the underwriters’ lockup. More often than not, the underwriters’ lockup agreement contains specific terms that restrict the re-sale of the securities by any holder (not just the VC investor). It is nearly always 180 days, and VCs generally report quarterly, so there are at most 2 quarterly financials where a discount should be applied. Public companies are the easiest valuations.* *Therefore, a practical expedient would be appropriate in this context. One reading of 9.33 is that a sort of practical expedient is indicated where it states that a common model would have the discount declines proportionately to the square root of the duration of the restriction? If yes, this should be repeated in Par 13.14 which specifically discusses lockups. Finally, I don’t consider having to calculate square roots a real practical expedient, but it is probably workable.*

Paragraph 10.31(c)(i) Tranched investments:

*The Draft Guide method doesn’t work for the typical biopharma deal where a VC commits a sizable amount of money to run a clinical trial, but meters it into the company as needed. The tranches are checkpoints, not valuation inflection points. The valuation inflection point is upon completion of the clinical trial -- either success or failure. I would like to see an affirmative acknowledgement that there are tranched deals with milestones that are not valuation inflection points, and that these do not require assessing whether a premium was paid for the first tranche and a discount for the last tranche (i.e., revaluing the shares at every tranche). Oddly, this is acknowledged in FAQ 14.38. Therefore, the Guide should cross-reference the data in 14.38 within Paragraph 10.31(c)(i), i.e., state that if a tranche is not a valuation inflection point, then no need to re-value it.*

Chapter 6: Valuing debt:

*While debt is not common in early stage VC, several of my funds’ later stage software companies use venture debt, e.g., $10M, $25M or even $30M of senior debt. There is an entire chapter on valuing debt separate from equity. This may have been written for the PE investors who tend to have control over their portfolio companies. In venture, while debt is rare, it does become an input in either the CVM or OPM model. We would like the flexibility to use the par value of the debt rather than running a separate yield model to fair value the debt before using it as input for our CVM or OPM model. It is not clear that the authors anticipated that VCs, who do not have the same control over their portfolio companies as PE funds, would have debt.*

Paragraph 13.10:

A securities lawyer who advises a WG member noted some inaccuracies in the description of certain aspects of SEC Rules on resales. He provided a suggested revision to paragraph 13.10 as follows:

*“In addition to the restrictions imposed directly by the underwriters, securities laws restrict (i) holders of equity securities acquired from the issuer or an affiliate of the issuer (restricted securities) from reselling their restricted securities through the public markets without using an effective resale registration statement and (ii) affiliates of the issuer from reselling any of their equity securities through the public markets without using a resale registration statement. The length of the restriction for restricted securities depends on whether the issuer is subject to the reporting requirements under the Securities Exchange Act of 1934 (the Act). If the issuer is subject to the reporting* *requirements of the Act, the restriction generally prevents the holder from selling restricted securities for a period of six months; if not, the restriction is one year. Affiliates who want to resell securities that are not covered by an effective resale registration statement must additionally adhere to a trading volume formula for any securities they sell without resale registration, where the number of equity securities an affiliate may sell during any three-month period may not exceed 1% of the outstanding shares, or if the class is listed on a stock exchange, the greater of 1% or the average reported weekly trading volume during the four weeks preceding the sale.”*

1. **COMMENTS ON CASE STUDIES ABOUT VENTURE CAPITAL INVESTING**

Case Study No. 8 – Evaluating Opportunities for a Strategic Exit – “Last Man Standing”

*This case study tends to use the terms “Enterprise Value” and “Equity Value” synonymously. While in subsection C.08.02, it highlights that the company “has a simple capital structure with only a single class of common equity” the case study fails to mention the outstanding debt (or cash balance at the measurement date) of the company. Furthermore, when referencing the value, the case study always refers to the company’s enterprise value and the fund’s interest in the equity being a percentage of enterprise value. My thought is that this is contrary to what is outlined in Section 8 of Part 1 when there is significant detail in how to allocate underlying interest in a private company based on equity value. It seems they are simplifying for the case study; however, this can lead to confusion if the company’s balance sheet, etc., is not explicitly outlined.*

Comment on C.08.27, specifically:“Nevertheless, other market participants, namely other existing TKO shareholders, continued to value the company highly, and invested additional capital to continue the company’s growth strategy.” [emphasis supplied].

*This statement is contradicted by the facts that are outlined in the case. Specifically, in Sections C.08.20 and C.08.21 where the narrative states that the insider financing at a $300m value was at an implied multiple of 4.1x, which is at the low end of their market range of 4.0x to 6.0x. I would suggest striking or rewording language highlighted above in C.08.27 to avoid confusing readers trying to conclude uses for multiple valuation methodologies.*

Case Study No. 9 (Biotech Investment with a Complex Capital Structure – Multiple Investor Perspectives)

* *I know it would complicate an already cumbersome analysis, but it would be helpful to see how it would be impacted if the preferred stock was participating (which more often than not is the situation on biotech deals)*
* *C.09.41 –I found this very confusing.  It seems the analysis focused on the 3rd bullet, and I couldn’t figure out why the information in the first 2 bullets was at all relevant.  Do they need to be included?*
* *C.09.49 – I’m not sure that the reference to 8.48c makes sense here.  8.48c talks about a “sandwich effect” where the preferred is sandwiched between debt and common.  I don’t see the “sandwich” issue in the case study as there isn’t any debt.*
* *C.09.51 – It’s not clear how the 40% negotiation discount was derived?  Is it arbitrary or is there a calculation behind it?*
* *C.09.53 – I have the same question as I do on C.09.41 regarding the first 2 bullets.*
* *C.09.72 (top of page 174) – Why is the previous equity value being multiplied by 3?  Also, I think it should be either “$23.6M X 3” or “$23.6M \* 3”, but not “$23.6M \* 3X”.*
* *C.09.78 – The language “Phase 2 FDA approval” doesn’t make sense.  Shouldn’t it say something like the company had positive Phase 2 data and would proceed to a Phase 3, rather than saying the FDA had approved?*

Case Study No. 10 (Early Stage Software as a Service Startup with Binary Expected Outcomes)

*The approach taken in Case 10 is frankly alarming. It is significantly (and seemingly unnecessarily) more complicated, using 2 scenarios and over 10 assumption inputs (which are unobservable, seem arbitrary and are used to back-solve for the observed transaction price e.g. in 10.34, “the probability weighting was inferred”). It seems un-auditable: the number of assumptions which would have to be vetted by an auditor (each with a rationale or support) would make the audit process nearly impossible. This case further seems impractical. The cost to LPs of building the support for such a valuation process would be disproportionate to the value added to the LP.*

*I understand that Case 10 is intended to demonstrate a way to provide a quantitative framework for pricing that often involved “gut feeling” by GPs.  My primary concern here is that by showing such a complicated framework, auditors will take the position that such a framework is necessary (and that a simpler approach is not sufficient). My preference would be that they scrap this framework altogether (as I don’t believe it accurately captures the inputs that go into gut feeling valuations). Another suggestion is for the Guide show several approaches to the same valuation (i.e. from the perspective of multiple investors as it did in Case 9), including a simpler (market-multiple) framework.*

*Below I have provided: (1) an alternative framework, the market-multiple approach and (2) a detailed look at how overly complicated/un-auditable the framework they provided is.*

*(1)    Alternative Framework – Market Multiple Approach:*

*Use a multiple of forward looking revenue approach. This is what drives a lot of the “gut feeling” valuation ranges at least at the early stage. Even if the company is pre-revenue, it will have a model for forecasted revenues. This can be compared vs. forward revenue multiple ranges on public SaaS companies. A subjective adjustment (discount or premium) can be made based on revenue growth rate, overall company size, etc. This model can then be calibrated in subsequent rounds. This requires 3 inputs:*

1. *Forward revenue forecast from the company \_-> auditable*
2. *Public SaaS forward multiple ranges from public data source -> auditable*
3. *Subjective discount / premium -> not auditable, but auditors can verify that this is reasonable.*

*This market-multiple framework is actually used in C.10.17 as the methodology for determining the IPO scenario range, just one input to the suggested framework that the case uses.*

(2)    *Framework that is currently provided requires double the inputs/assumptions of the market-multiple framework, many of which are not supportable from an audit perspective:*

1. *IPO timing -> 1 input that is not auditable. Due to the increasing availability of private capital, companies are taking longer to IPO than they have historically, so historical observations are not useful here. The 4-year assumption that the case uses is fairly unrealistic.*
2. *IPO proceeds based on market-multiple framework. This is essentially the market-multiple framework forecasting several years into the future. It requires at a minimum 3 inputs (see market multiple framework). Note that this assumption is using a 4 year-forward revenue forecast, which many early stage companies will not have (the ones I have seen tend to be 1-2 years), i.e. not auditable. If the fund has to forecast its own expectations for revenues several years ahead this will require even more inputs/assumptions.*
3. *Dilution assumption -> 1 input that is not auditable. Venture fund’s historical observed dilution isn’t as simple as it sounds. Some venture funds will take the strategy of participating in subsequent rounds on a pro-rata basis, so as to maintain their ownership (i.e. no dilution). They will stop participating at different stages of the company’s life for different reasons, which will be dependent on the specific situation (i.e. when they’ve reached a concentration threshold at the fund, when the company gets into growth rounds of financing and the valuation is beyond the scope of the fund, if the* *company is not performing in line with the VC’s expectations). Further, due to the same recent trends of companies raising more capital and remaining private longer, historical dilution trends are not applicable to current market. As there is no consistent historical dilution assumption, this is also essentially a plug that auditors will have to get comfortable verifying that this is reasonable.*
4. *Return expectation -> the case parses historical returns for the specific venture fund by multiples observed on similar companies (“10% of similar companies returned 5 and 35% returned more than 1x”) and by percentages based on stage (seed investments return 30%, early stage ~25%, etc.). This is vaguely used to create a discount rate, i.e. the discount rate is another plug.*
5. *Probabilities for liquidation versus IPO. These are essentially a plug to calibrate to the pricing that was observed in the transaction. This is similarly used as a plug in C.10.29 to get to the valuation that the fund wanted to achieve.*

*Most of these inputs are plugs or assumptions made by the VC. Why does Case 10 use a framework that involved more than seven assumptions/inputs/plugs rather than the market multiple approach (or another simpler approach) that involves 2 or 3 inputs? A simpler framework is more auditable and more scalable.*

Additional Comments on Case Study No. 10

*Calibration and Case Study 10 (C.10.14): This case study in particular (see paragraphs 10.17, 10.18, & 10.19) is full of assumptions. These assumptions are historical and can be calculated. However, since I have never calculated them in my 30 years with this VC firm, I am sure that the GPs are not using them to price their deals. For example, the guide lists a dilution factor as if it is a statistic that we all have handy. It is not a standard industry statistic that back offices regularly calculate, and it is not a factor that my GPs use to price deals. I would expect this statistic would probably be different for IT and LS deals. Early stage valuation is all about GP judgement. My GPs look at a lot of deals, so they are actually using “market comp” data, but it is not publicly verifiable.*

Case Study No. 12 (High Value Early Stage e-Commerce Startup in a High-Risk, High-Opportunity Market)

*In contrast to Case 10, the methodologies demonstrated in Case 12 are reasonable and can be applied to pre-revenue companies as well. Case 12 presents an approach that is appropriate for venture funds, which tend to have many small investments.*

1. **COMMENTS INVOLVING PRIVATE EQUITY INVESTING**

General Comments:

* *I like the case studies and FAQs; they make the guide more manageable as a tool.*
* *Hope that it’s used as a tool down the road and not as a rulebook.*

Chapters 4 and 6 regarding valuation of debt positions:

* *Chapter 4, beginning at paragraph 4.78 suggests fair valuing debt before we fair value our equity investment, i.e., valuing our equity position to reflect what we would receive in a sale of debt to a third party. (What would a willing buyer pay for that debt at 12/31?)  In the PE world, the concept makes no sense because we wouldn’t sell debt separately from selling a company.*
* *Chapter 6, Paragraph 6.03 suggests something that seems closer to the reality. A willing buyer of the business would assume that debt or the debt would be paid off, so there’s no reason to try and value how much the debt is worth on a standalone basis when it would never be sold to a third party alone. In valuation you then should back out debt in order to look at remaining value available for equity holders. So, I am confused. Do Chapters 4 and 6 contradict each other or are they intended to address different situations?*

Chapter 12 (and Case Study 3): Factors to Consider At or Near a Transaction Date

*Some private equity GPs take issue with guidance surrounding the treatment of transaction fees. Having to write down an investment on day 2 after an investment to reflect transaction costs is totally inconsistent with the fact that we are not allowed to reduce expected sale proceeds for those very same kinds of costs.*

*When an investment sells some of those proceeds go to legal work, investment banking fees and other transaction costs. As a seller, we peel those costs out of the price the buyer paid, because we don’t receive that full amount. GAAP doesn’t allow us to factor in those costs to a valuation performed just prior to the sale. On the other hand, the draft guide makes clear that valuation on Day 2 after buying a company is reduced by those very same costs that occur in the acquisition.  The result, which may be mandated by GAAP is nonetheless inconsistency of treatment for the same set of costs when buying vs. selling a portfolio company.*

**III. CONCLUSION**

 NVCA hopes that the PE/VC Task Force will find the comments in this letter useful. We stand ready to assist further. Should the PE/VC Task Force desire a forum in which to seek additional comments from members, NVCA would be eager to assist. We once again commend the Task Force members and the AICPA on this worthy effort. Please feel free to contact me at (202) 864-5925 or bfranklin@nvca.org or Justin Field, Senior Vice President of Government Affairs at (202) 864-5929 or jfield@nvca.org.

Sincerely yours,



Bobby Franklin

President & CEO

1. Venture capitalists are committed to funding America’s most innovative entrepreneurs, working closely with them to transform breakthrough ideas into emerging growth companies that drive U.S. job creation and economic growth. As the voice of the U.S. venture capital community, the National Venture Capital Association (NVCA) empowers its members and the entrepreneurs they fund by advocating for policies that encourage innovation and reward long-term investment. As the venture community’s preeminent trade association, the NVCA serves as the definitive resource for venture capital data and unites its member firms through a full range of professional services. [↑](#footnote-ref-1)
2. AICPA Audit and Accounting Practice Aid Series, *Valuation of Privately-Held-Company Securities Issued as Compensation* (2004) (“The purpose of this Practice Aid is to provide guidance to privately held enterprises regarding the valuation and disclosure related to their issuance of equity securities as compensation.”) *Id.* page 1, Number 1. [↑](#footnote-ref-2)
3. *Id.*  [↑](#footnote-ref-3)
4. A Working Group member offered an example. “In the two seminars I have attended so far, one of the first things they say is: ‘Para 8.54 CVM = Liquidation Waterfall used to value each class of securities and Para 8.21 Simple Scenario Analysis = Use of the price of last round applied to all CSEs.’ The fact that these terms need translating, shows there is room for improvement.” [↑](#footnote-ref-4)