



**American Society of Appraisers
Business Valuation Committee**

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Via email to: asbcomments@appraisalfoundation.org

Appraisal Standards Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

RE: Comments on the Second Exposure Draft of Proposed Changes for the 2014-2015 Edition of the *Uniform Standards of Professional Appraisal Practice* (“Exposure Draft”)

Dear Sir/Madam:

The Business Valuation Committee of the American Society of Appraisers (BVC) has reviewed the Exposure Draft and is pleased to have this opportunity to respond to the invitation of the Appraisal Standards Board (ASB) for comment.

Section 1: Proposed Retirement of STANDARD 4 and 5

- We have no comment regarding the removal of STANDARDS 4 and 5, as these do not relate to business valuation.
- We have no comment on striking the term “consulting” from the STANDARDS throughout.

Section 2a: Proposed Revisions to the DEFINITION of “Assignment Results”

- We urge the ASB to *reconsider* its exposed proposal for edits to the current definition of “Assignment Results.” Only an appraisal assignment’s *final* opinion of value represents the true “Assignment Results” in a given assignment. Other aspects of the assignment may represent important factors in the final opinion of value, but they are not assignment results in their own right. While the proposed definition is a step in the right direction from the initial proposed change that included interim appraisal analyses, there are too many ways that other aspects of an assignment could be construed as something more than relevant in the context that they support a *final* opinion of value.
- We wish to express our concern to the ASB about a possible unintended consequence that the adoption of this proposed revision might have regarding assignments that involve litigation support. In such assignments, business valuation appraisers are frequently

requested to perform an important service to the Court or other trier of fact. We first expressed our concern about this in our July 6, 2012 Comments to the ASB on its First Exposure Draft on *USPAP* 2014-2015. We remain concerned that, contrary to an emerging trend in jurisprudence in the area of discoverable work, an interim analysis or calculation would be elevated to the status of a final opinion of value in the form of an “Assignment Result.”

The U.S. legal community has signaled its intent to focus discovery on *final* opinions of value with respect to an “Assignment Result.” Under the amended Federal Rules of Evidence (F.R.C.P. 26), interim or draft indications of value and supporting analyses now fall outside the legal window of discovery in legal disputes. It is important, therefore, that the definition of “Assignment Results” not create confusion in the legal community and other important intended users of appraisal services. We remain concerned that ASB’s proposed edit to the definition may still be too broad in this respect. Therefore, should the ASB adopt its proposed revision, we request that you consider creating a litigation exception to this proposed definition of “Assignment Results.”

Section 2b: Proposed Revision to the DEFINITION of “Report”

- We agree with the ASB’s proposed revision to the DEFINITION of a “Report” that when accompanied by a signed certification, a written document rises to the level of a Report in *USPAP*, and not before.
- Also, the proposed revision appears to have rather awkward wording. For example the definition states, “... or any other intended user with a signed certification, or any oral communication of an appraisal or appraisal review.” A rewording of the proposed revision will clarify its meaning to confirm that a written document without a signed certification is not a “Report.”

Section 3: Proposed Revisions to the RECORD KEEPING RULE

- We agree with the proposed revision to the RECORD KEEPING RULE. This documentation requirement does not appear to relate to changes to drafts. As drafts are not accompanied by signed certifications, they do not rise to the level of a Report.

Section 4: Proposed Revisions to Scope of Work Acceptability section of the SCOPE OF WORK RULE

- The ASB has elected not to pursue a proposed change to SCOPE OF WORK ACCEPTABILITY for the 2014-2015 edition. We agree.

Section 5: Proposed Revisions to the DEFINITION of “Scope of Work” and the SCOPE OF WORK RULE

- The ASB has elected not to pursue a proposed change to the DEFINITION of “Scope of Work” and the SCOPE OF WORK RULE. We agree.



Section 6a: Report Options (Includes proposal for one report option in STANDARDS 2, 8, and 10)

- We agree with the proposed revision to Report Options in STANDARD 10. While STANDARD 10 had always suggested the presence of flexibility in report writing when compared to other reporting STANDARDS, the adoption of this proposed revision to a one report rule makes that flexibility explicit. The proposed revision clearly states that report writing is based on the intended use and user. This proposed revision to the Report Option holds to *USPAP*'s minimum reporting standards, while maintaining the flexibility to disclose more or less information depending on clients' needs.

Section 6b: Proposed Addition of Advisory Opinion 33, *Level of Detail in an Appraisal Report*

- We agree with the proposed addition of Advisory Opinion 33, *Level of Detail in an Appraisal Report*. The situations described in Advisory Opinion 33 are easily understood by appraisers within the context of business valuation.

Section 7: Proposed Revisions to the COMPETENCY RULE

- We agree with the proposed revisions to the COMPETENCY RULE.

Section 8: Proposed Revision to the PREAMBLE — When Do *USPAP* Rules and Standards Apply?

- We agree with the proposed revision to the PREAMBLE — When Do *USPAP* Rules and Standards Apply?

Section 9: Proposed Revision to Standards Rule 3-5

- We agree with the proposed revision to Standards Rule 3-5.

Miscellaneous Edits to terms used in *USPAP* referring to Business Valuation and Intangible Assets

- We recommend that *USPAP* refer to "Intangible Property" by adopting the following DEFINITION of "Business Valuation:" "Business Valuation: the valuation of a business, business ownership, interest, security, or intangible asset."
- We note that the Exposure Draft now makes reference to our practice area as "Intangible Property." In addition, our review of the Exposure Draft reveals inconsistencies with respect to usage. For example, line 6 makes reference to "Real Property, Personal Property, Intangible Property." Section 6a: Report Options, paragraph 2, sentence 2, makes reference to "intangible property appraisal assignments." Line 639 makes reference to "business enterprise or intangible asset." Line 731 makes reference to "Real Property, Personal Property, Intangible Property."

We thank you for the opportunity to comment on the Second Exposure Draft of Proposed Changes for the 2014-15 Edition of the *Uniform Standards of Professional Appraisal Practice* and we remain available to discuss our comments with you at your convenience.

Respectfully submitted,



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International President, American Society of Appraisers

Richard M. Wise, FASA via e-mail
Chair, BV Standards Subcommittee of ASA Business Valuation Committee

