

Memo

To: ASA Board of Governors
From: CICBV Proposal Task Force (Rob Schlegel, Chair)
Date: July 27, 2009
Re: Report to Board of Governors

On April 30, 2009, Ron Seaman received a letter from Iseo Pasquali, Chair of the Canadian Institute of Chartered Business Valuators ("CICBV") inviting the American Society of Appraisers ("ASA") to join in forming an umbrella organization that would chart the future of the world's business valuation profession amid changes in International Financial Reporting Standards and International Valuation Standards. (Enclosed as an attachment is the letter received).

Ron Seaman formed a Task Force to evaluate the proposal and to recommend to the Board of Governors what further action ASA should take in response. Specifically Mr. Seaman requested that the Task Force consider (1) whether or not to pursue the opportunity, and (2) summarize for the Board of Governors the key issues likely to be faced in pursuing such a venture with CICBV and the pros and cons of each issue. On May 28, 2009 the Task Force recommended that the opportunity should be pursued, and President Seaman communicated our favorable intention to Iseo Pasquali.

Subsequent planning is now taking place between ASA BV members and CICBV members to develop proposed funding, a timetable of objectives, and potential addition of new international member organizations. (Informal interest has been received from other national organizations). The BVC is expected to take up this issue at their Orlando meeting, and the BOG should anticipate a formal resolution to proceed at the August meeting. At the recent London meetings of the International Valuation Standards Council this idea received a favorable response.

Advantages and Disadvantages of the CICBV Proposal

The Task Force sought and received feedback from numerous appraisers in all disciplines. The overall feedback concerning the proposal was very positive with very few if any reservations. Some of the advantages and disadvantages of the CICBV proposal are summarized below:

Advantages of the CICBV proposal include:

- The ASA-BV and CICBV have a long-term close relationship of mutual respect and trust, as reflected in:
 - Joint conferences every four years, alternating between a U.S. and a Canadian location;
 - Provisions for reciprocity of BV credentials with over 100 people holding credentials from both organizations (including Richard Wise, FASA);
 - Participation on each other's standards committees;
 - Frequent communication concerning issues of interest to the profession, such as the IVSC and international standards; and

- Attendance at each other's leadership meetings (the ASA BVC meeting and the CICBV board meeting).
- The IICBV would be controlled at the outset by two organizations that have a long history of making their operational and strategic synergies.
- The IICBV will be structured to enable organizations to join together to speak with one voice concerning international valuation standards and best practices and to offer BV education worldwide. At the June 2009 IVSC meeting, both ASA BV and the CICBV were represented and were effective in providing a strong voice as world leaders for BV standards and best practices.

Disadvantages of the CICBV proposal include:

- The Proposal does not resolve ASA's operational and financial challenges in attempting to provide quality service to members in six disciplines with dissimilar markets.
- Combining ASA's 2,100 BV members with the CICBV's 1,200 members results in what is still a relatively small organization. The plan would be to expand that number by reaching out to organizations in other countries. However, the initial "organization of organizations" would only have approximately 3,300 members. (However, organizations in other countries have already expressed an interest in joining such an umbrella organization, a large portion of them in English-speaking countries. We anticipate that the organization would have a membership of at least 6,000 within the first year.)
- While the proposal would unite a growing group of BV professionals, it would not unite the broader appraisal profession.

Based on its research and discussions, the Task Force concluded that the advantages of the proposal far out-weighed its disadvantages, and the Task Force communicated to Ron Seaman that it was the recommendation of the Task Force that ASA should pursue the opportunity.

Key Issues

A summary of the key issues likely to be faced in pursuing the venture with CICBV and the pros and cons of each issue follows:

1. Is an ASA organization-wide vote required?
This issue is outside of the Task Force's expertise, but it appears unnecessary as no change in ASA's organization will result from this expansion of the cooperative efforts of ASA BV and the CICBV.
2. How will the organization be funded?
The Business Valuation Committee ("BVC") and the CICBV have indicated that they will take responsibility for any initial funding requirements, subject to a final vote at their meeting in Orlando in July. A budget will be developed by the new organization providing more information concerning future funding needs. Funding needs are expected to be covered by the BVC and the CICBV.
3. Will additional offices, personnel, and equipment be required?
It is not anticipated that any additional personnel or office space will be needed in the immediate future.
4. What effects on ASA's international operations and education (specifically BV and MTS) are expected?
No effect on MTS is expected because the organization is planned as a BV focused organization. However, different disciplines undertaking specific assignments for fair value in financial reporting may require additional educational opportunities. Initially, no changes in BV international education are

expected. ASA and the CICBV have historically had different delivery mechanisms for their courses—ASA delivering course material in person and the CICBV delivering course material online. We have been successful in making arrangements to share revenue with the CICBV in past educational offerings (such as CAVS and intangible asset/financial reporting courses), and anticipate the ability to make similar arrangements in the future.

5. Is there potential for expanding this international organization to include other disciplines such as RP and MTS which do financial reporting work?
At this time, this organization is planned as a BV only organization. If this organization is successful, members of other disciplines such as MTS have mentioned that it might provide a useful model for other disciplines in their international outreach.
6. What possible informal participation/interest of other BV organizations such as the AICPA, NACVA, IBA, and the Canadian Chartered Accountants is anticipated?
The AICPA BV group has informal connections with both ASA BV and the CICBV, such as through a standards reconciliation committee, attendance at each other's committee meetings and conferences, and communication about government and regulatory issues. The CICBV has a very close relationship with the Canadian Chartered Accountants with the two groups even having offices in the same building. It is expected that the new organization would attempt to increase these common activities, especially as the U.S. moves toward acceptance of international accounting standards. Although ASA BV has already received expressions of interest from one of the two for-profit BV organizations in the U.S., the initial plan is to unite only not-for-profit BV organizations.
7. What should the umbrella organization be named?
The CICBV suggested the International Institute of Chartered Business Valuators ("IICBV") but have expressed a willingness to discuss other names such as the International Institute of Business Valuators ("IIBV"). This issue needs to be discussed further.
8. Should designations be awarded by the umbrella organization?
Initially, the organization would not issue designations. Instead, the plan would be to mentor organizations in other countries in the development of their own credentialing process. Individuals in countries where there are not enough BV practitioners to form their own association would be encouraged to pursue either an ASA or a CICBV credential.

Summary

In summary, we recommend that the BVC be permitted to form an umbrella BV organization as proposed by the CICBV, with the understanding that the BVC, along with the CICBV, assume responsibility for funding the formation of this organization. The BOG should anticipate a formal resolution for the August meeting based on actions of the BVC in Orlando.