



**International Valuation Standards Board
41 Moorgate
LONDON EC2R 6PP
United Kingdom
December 24, 2010**

Re: Discussion Paper Valuation Uncertainty

Dear Sirs,

American Appraisal appreciates the opportunity to comment on the discussion paper "Valuation Uncertainty" requested by the Board.

Our responses are provided in the following attachment.

We support the initiative as important and timely, and believe that key for adequately addressing uncertainty in valuation comprises:

- Recognition of valuation as opinion;
- Recognition of measurement uncertainties;
- Focusing on relevant disclosure of inputs, assumptions and methods used.

If you have any questions regarding the responses submitted please contact Alexander Lopatnikov in our Moscow office at +7 (495) 795-2450 or Gerald Mehm in our San Francisco office at +1 415 764 1677.

Sincerely,

American Appraisal

- 1 Do you agree that it is only when material, or abnormal, uncertainty attaches to a valuation on a specific time or date that that specific disclosure is necessary when the valuation is reported? If not please explain why you consider that an uncertainty statement should be provided in all cases.

AA: We do not agree that uncertainty matters to valuation only in special situations. We end up having to try to define “material” or “abnormal” and “special situations”

It is very important that users of all valuation reports understand that valuation is not a measurement experiment such as would be in natural science, but an opinion of a valuer, based on his or her personal judgment, and developed using certain techniques that are accepted under circumstances. As stated in para. 4 “A valuation is not a fact; it is an estimate of the most probable of a range of possible outcomes based on the assumptions made in the valuation process.”

It would be appropriate to explain that assumptions refer not only to certain operational parameters and forward looking projections, but equally to techniques and formulas adopted in the specific valuation.

Further this is confirmed in Annex on page iii “Most sophisticated users of valuations understand that they are opinions or estimates and that to a greater or lesser degree involve judgements. Knowledge that judgement has been exercised as objectively as possible is a vital component in building user confidence.”

Disclosing and explaining the role of judgment and the impact of risk and uncertainty in valuation is very important for ensuring the users of valuations understand the basis for their investment decision making.

The issue here is whether the standards should be so prescriptive and detailed at the mandatory compliance level, or should provide two levels, the first including a short, high level mandatory compliance statement such as similar to that of the Basel Committee on para 15, then include a second level with some best practice guidelines and examples.

- 2 Do you believe that the Board has identified all major sources and types of material valuation uncertainty? If not please identify what additional causes of uncertainty exist and how often you encounter these in practice.

AA: Yes. All major causes of uncertainty are covered.

It may however be appropriate to distinguish and reflect in the standards the distinction between uncertainty, risks and errors.

- 3 Do you agree with the Board’s conclusion that an explanation of any abnormal uncertainty identified and an explanation of the impact this has on the valuation (a qualitative statement) is more helpful to users in understanding the valuation than a purely numeric expression of the range of possible values created by the uncertainty (a quantitative statement)?

AA: All valuation reports should have an explanatory section that discusses the nature and impact of the risks and uncertainties on the value conclusion. Such section should provide both qualitative and quantitative statements. There should be a statement incorporated in all valuation reports that valuation is not a precise science, and that a point estimate is often just the midpoint of a range of possible outcomes, and not a guaranteed outcome etc.

- 4 Do you think the IVSB should include an explicit requirement in the proposed IVS 105, Valuation Reporting, to disclose any material uncertainty or is the principle that requires valuation reports not to be ambiguous or misleading sufficient?

AA: Yes, such requirement would be helpful, yet it must be clear and consistent, so that, if IFRS use is considered, there would be no different uncertainty requirements for different valuation requirements as the potential standards become more complicated.

5 Do you consider that there are cases where a qualitative statement of the causes and impact of uncertainty on the valuation is inadequate and should be either augmented or replaced by a quantitative statement? If so please

a. state the circumstances and assets classes where you believe that quantitative statements are more helpful to users and,

AA: They are applicable in all circumstances as long as it adds to the understanding of the reader and does not confuse. They would be consistent with disclosure requirements long adopted in investment reporting in industries, traditionally believed to be subject to high levels of risk and uncertainty, such as extractive industries.

b. provide a brief explanation or example of the type of quantitative statement that you believe would be useful.

AA: Such statement should include an analysis of sensitivity to variations of key parameters, comments on the ranges within which key parameters vary in the test, identification of the adjustments to direct or indirect market evidence collected during valuation, etc.

6 Do you consider that it would be helpful if IVSC developed guidance on methods for making a quantitative disclosure of uncertainty under specific circumstances? If so please indicate the circumstances and any methods that you either use or encounter in your market.

AA: Yes. Such guidance would be very helpful. It should cover not only specific circumstances, but apply to all valuations. It should also make sure we do not lose the benefit of the valuer's opinion, experience and expertise.