

Memo from Jack Beckwith, ASA

Attn: Steven J. Sherman, Managing Director, Loop Capital

Subject: ASA personal property comments regarding IVS 300

Date: 9.1.16

Steven, comments received to date are from an ASA MTS member and Personal Property member for your review:

1. My comments on IVS 300 Plant and Equipment.

- A) I believe the label commentary should be removed as to give the user/reader of IVS 300 a clear and concise working knowledge of what is meant by Plant and Equipment. I believe it will also instill confidence of the user knowing that it is not just a comment or commentary that could be changed, but is an accepted/approved standard. I know when I consult IVSC, I appreciate the knowledge and thought behind all the standards.
- B) I agree that this standard Plant and Equipment presented in the exposure draft can be applied in the valuation of plant and equipment regardless of the purpose or function of the valuation. However, I think it should state that various definitions of value may need to be considered and used depending on the purpose and function of the valuation. i.e. Asset Based Collateral Loans, some lending institutions want to see a Fair Market Value, Orderly Liquidation value, Forced Liquidation Value. This should also be reflected in the scope of work.
- C) Under financing Arrangements, I believe that leased equipment, if an important process of the production, should be valued if free and clear of any liens. Reason being is that the lessee is most likely taking some burden like paying the taxes, you would really need to study the lease, I know alot of leases are not transferable, and have a payout provision at the end of lease period, and one must wonder how this would affect the sale of the business.

2. I have reviewed the exposure draft from the IVS and am disappointed to see that personal property (other than plant and equipment) was not included again.

I am surprised to see this omission, after all personal property (fine arts, automobiles, jewellery, etc.) has been recognized and declared an important asset class of property. I am disappointed to see its lack of recognition and inclusion in this exposure draft.

In recent years – certainly since the crash of 2008, extraordinary amounts of money have been pouring into this market – away from the stock and real estate markets. If ever there was a time for uniform standards for personal property valuations it is now.

In addition to the importance of this property type as an asset class, there are other challenges which face the art market and have ramifications well beyond the art market. I refer to the destruction of cultural property due to war and strife, as well as the controversy that continues over *provenance* and authentication.

The Personal Property Committee of the ASA is well positioned to provide appropriate guidelines to the IVSC on the valuation of this property class. To overlook it or to ignore it because it is considered frivolous would be a serious mistake.

I urge the ASA to advocate strongly for the inclusion of Personal Property appraisal guidelines with all deliberate speed. How can this organization (IVSC) truly consider itself international when it ignores a very important asset class of property and is not addressing the need for empirical standards of appraisal for all personal property. This cannot be a position that ASA supports.