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July 24, 2003

Douglas R. Carmichael, PhD., CPA, CFE
Chief Auditor and Director of Professional Standards
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Dear Dr. Carmichael:

On behalf of the more than 33,000 members of the Appraisal Institute, American Society of Appraisers, and International Association of Assessing Officers, we congratulate you on your new position at the Public Company Accounting Oversight Board ("Board"). We wish you the best as you address the many challenges that will involve the accounting and valuation professions.

As the Board develops and implements new rules and standards for the accounting profession, it will be important for you to consider the standards and practices of other professions involved in financial reporting and accounting. Each profession and industry group lends its own unique expertise to the process. The Board has obviously recognized this, and you are taking steps to make sure other relevant knowledge sets integral to accurate and timely accounting inform your work. We applaud your attention to this matter as you look to establish the Standing Advisory Group (SAG).

A multi-disciplinary profession encompassing real estate appraisal, business valuation, personal property valuation and property tax assessment, the appraisal profession is inextricably tied to financial reporting and accounting. Appraisers have developed a robust body of knowledge relating to value concepts. This base of valuation definitions, standards, and methodology is important in a reporting environment moving steadily towards fair value in financial reporting. The International Accounting Standards Board has already recognized this with its recent incorporation of the standards developed by the International Valuation Standards Committee into its own standards. Bearing this in mind, we recommend the Board include one or more appraisers on the SAG so that it can take hear from and take advantage of this body of knowledge.

There are additional compelling reasons to appoint an expert in appraisal and valuation issues to the SAG:

- 1) Case law, including the U.S. Supreme Court ruling on *Daubert v. Merrell Dow Pharmaceuticals, Inc*¹ and its clarification, *Kumho Tire Co. v. Carmichael*² acknowledge appraisers as experts who have specialized technical knowledge that involves application

¹ *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U. S. 579 (1993)

² *Kumho Tire Co. v. Carmichael*, 526 U. S. 137 (1999)

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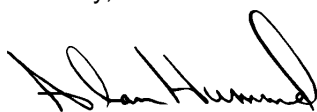
- of systematic problem solving processes, standards relating to how that process is to be applied, and tests to see whether the process is objective and reasonable.
- 2) Accounting firms regularly retain appraisers as outside experts and hire appraisers on staff to provide valuation services. In the wake of the Sarbanes-Oxley Act of 2002, some of those departments are now being sold or disbanded as accounting firms find themselves precluded from providing appraisal services to their audit clients.
 - 3) Many provisions of securities law require appraisers to perform valuations, such as when rollovers occur in limited partnerships. For example, under current law, limited partners have a right to an appraisal of the value of their ownership interests in the limited partnership.

As the largest professional organizations of appraisers in the United States, our organizations have historically been the core knowledge base of the profession. Our members, and particularly our designated members, help set the bar for appraisal around the world. The Appraisal Institute, American Society of Appraisers, and International Association of Assessing Officers are sponsors of, and work closely with, The Appraisal Foundation, the standards- and qualification-setting body for the appraisal profession in the United States. We are also founding members of and active participants in the International Valuation Standards Committee (IVSC), an organization that has achieved United Nations NGO status and continues to work closely with many international organizations such as the International Accounting Standards Board, OECD, the Basel Committee, and others. Over the course of the last two decades we have extended international appraisal standards, relevant to all appraisal disciplines, into more than 50 countries and, by expanding valuation standards for financial reporting, have made major progress in discouraging market fraud and abuse. Given our commitment to best practices in appraisal and our well-established history with standard-setting organizations, we would encourage you to consider us allies in your work as well.


Your mission to protect investors in U.S. securities markets and to further the public interest by addressing accounting oversight issues is of paramount importance in helping the broader effort to reestablish trust in the auditing process and in the disclosure of financial information of publicly traded companies. You will be faced with myriad concerns, having to take into account the current domestic climate, as well as the international move towards fair value and convergence of international accounting standards with U.S. standards, as you move to develop new auditing and financial reporting standards. This is no small task. We would be happy to help wherever we can.

Thank you for considering our comments. A member of our staff will be in touch with your office shortly to arrange a time to discuss this issue in more detail. Should you have any questions, please contact Don Kelly, Vice President of Public Affairs, Appraisal Institute, at 202-298-5583 or dkelly@appraisalinstitute.org; Ted Baker, Executive Vice President, American Society of Appraisers, at 703-733-2019 or tbaker@appraisers.org; or David Wheelock, Executive Director, International Association of Assessing Officers at 312-819-6100 or wheelock@iaao.org.

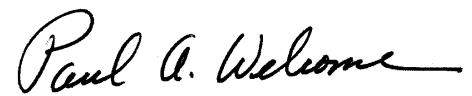
Sincerely,



Alan E. Hummel, SRA
President
Appraisal Institute



Eugene G. Kaczowski, ASA
President
American Society of Appraisers



Paul A. Welcome, CAE
President
International Association of
Assessing Officers