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LETTER OF COMMENT NO. 28

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Director
FASB
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Ladies and Gentlemen:

Having seen a number of the comment letters you will receive it is obvious that you will have received a lot of contradictory suggestions. The views expressed here are my own, and represent the culmination of almost 40 years experience in the valuation business. Much of my work has been for Financial Reporting by both public and private companies. Virtually my entire work product is reviewed by independent public accountants and my response to your ITC is based on that experience.

In issuing SFAS 157 you have developed a brand new definition of Fair Value ("FV") that is not in accord with the concepts of Fair Market Value ("FMV"). FMV has been in place, and used, by appraisers, tax authorities, businessmen and the courts for over 100 years. This is not to say that FV is better, or worse, than FMV. Without question it is different.

We are not going to take any of your time fighting any of the battles about FV and financial reporting. You have made your decisions and I believe they were made in good faith. You want FV to be determined as uniformly as possible, both for relevance and reliability of financial statements and financial reporting; SFAS 157 attempts to do this.

The problem is that neither appraisers nor auditors are fully comfortable with your new approach to developing FV. Your external focus, the

requirement to consider value from the basis of the seller of the assets to unknown 'market participants' is subject to a great deal of interpretation and judgment. The problem is that my interpretation of who a market participant is may differ from an auditor's interpretation. Since this is a matter of judgment, how should the final decision be made? Even worse, from our perspective and that of corporate controllers, different accounting firms appear to have different approaches and definitions. Candidly, even appraisers often disagree among themselves.

I was instrumental in setting up a voluntary group of valuation specialists, the Appraisal Issues Task Force ("AITF"), to discuss and hopefully resolve many of these issues. The AITF itself often has difficulty arriving at a consensus. Consequently I am very aware of the issues set forth in your ITC. In practice, many of my colleagues often call me for advice; I respond as best as I can but always have to preface my comments with the disclaimer "these are only my personal views". In short, appraisers and auditors need help in resolving a number of very troubling issues.

In summary, there are no easy answers, but leaving the status quo will be the worst of the possible alternatives. As you will see from my answers to your specific questions, rules, no matter how arbitrary, will be better than the present situation. Right now we have interminable discussions that essentially go nowhere among appraisers, auditors, companies and the SEC. We are all searching for the 'right answer'. The fact is that the 'right answer' simply may not exist, in which case it is better to have a definitive required approach than to continue flailing around as we are now doing.

Respectfully submitted,

/s/ *Alfred M. King*

ALFRED M. KING
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Responses to Specific Questions

Question 1. There is no doubt that the present situation is untenable. Scarce resources are continually being wasted debating issues for which there is no single correct answer. If there were only one correct answer we would have been utilizing it all along. The interminable valuation discussions among all the parties occur because there is no authoritative valuation guidance.

Admittedly there are several appraisal organizations, but the history of their interaction suggests that they do not get along and are unlikely to in the future. Further, at least two of the organizations are for-profit entities interested primarily in providing 'credentials' to their paying members.

As mentioned, the body of knowledge developed over the years for FMV can not be used to comply with the new concepts introduced in SFAS 157. And SFAS 157 is general, not prescriptive, in answering practice-related questions.

Question 1 (a). Any guidance provided by anyone will inevitably combine both conceptual ideas, and detailed implementation guidance. The two are different sides of the same coin, so in my opinion this is a non-issue. We must have implementation guidance to cut down on wasted efforts, and the development of specific guidance will require, on the part of those providing the guidance, that they have a conceptual approach to valuation. Such a conceptual approach will have to be congruent with SFAS 157 and the FASB rules on financial reporting that make up GAAP.

Question 1 (b). This too is a non-issue. The FASB and IASB do not seem to be running out of work in developing GAAP because the business situations being reported on are ever-changing. Similarly one can not see an end to new issues in valuation. I have been in the field almost 40 years, and the changes from 1968 to today are far-reaching indeed.

Question 2. Here is where there are probably as many ideas as there are respondents to your ITC. My personal recommendation would be for the

FASB to set up a group comparable to the EITF, made up of a diverse group including valuation specialists, preparers, auditors and users. The group would develop responses to issues brought before them, which then would have to go through the same process as does EITF.

Inasmuch as the various valuation groups have had a history of not getting along, and being relatively impotent in fostering standards and practices, the FASB must take an active role.

Question 3. The answer here directly follows from my suggestion above. The EITF procedures are known, understood, and respected. Build on that model and don't try to create a new model.

Question 4. The politically correct answer would be to try and harmonize valuation guidance on a U. S. domestic and on an international basis. Crawl before you walk and walk before you run. Don't try to do too much too quickly. It will be hard enough to develop valuation guidance in this country, and if it is done professionally it is likely that the international community would follow our lead. If there is a true disagreement, then don't waste resources trying to converge the two. There are far greater differences between US GAAP and IFRS that should be resolved first; don't spend limited resources at this point on a global perspective. Keep in mind the adage that "the perfect is the enemy of the good".