

April 11, 2007



LETTER OF COMMENT NO. 22

Technical Director
Financial Accounting Standards Board
401 Merrit 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Financial Accounting Series Invitation to Comment – Valuation Guidance for Financial Reporting. File Reference No. 1520-100

Dear Technical Director:

As my colleagues and I have committed ourselves to resolve this important business issue and other interconnected challenges affecting private and public businesses, we thank you for the opportunity to present our perspective.

We inferred from the Invitation to Comment that the FASB did not seek to limit responders from commenting solely on the questions posed. Where relevant, we have provided further context. Overall, our commentary is brief, yet we would be happy to discuss the subject matter in further depth. Thank you for the invitation to comment.

1. Is There a Need for Valuation Guidance Specifically for Financial Reporting?

Yes. There is a definitive need for valuation guidance for financial reporting for shareholders, investors, creditors, business leaders, financial advisors, auditors and regulators. Today, financial reports do not provide the level of transparency these constituents require. As a result, their financial decisions harbor additional risk than would be presented with such valuation guidance. In both the private and public marketplaces, shareholders and investors have suffered significant financial consequences from the lack of access to such valuation guidance.

To make clear business and investment decisions, the above constituents need well defined structures, processes and metrics to guide them through the information presented. A single, consistent framework would provide such clarity supported by such valuation guidance.

1.1 Is the current valuation guidance – developed by the valuation community for other intended uses – sufficiently robust to determine a value that would satisfy the designated measurement attribute for financial reporting purposes?

No. This valuation guidance is not comprehensive and does not consistently address multiple fact patterns with sufficient rigor. No single valuation method or combination thereof addresses market participants' risk-oriented questions.

1.2 Should Valuation Guidance Include Conceptual Valuation Guidance, Detailed Implementation Guidance, or a Combination of Both?

The valuation guidance should provide a combination of both conceptual valuation guidance and detailed implementation guidance.

Conceptual valuation guidance without detailed implementation guidance (or vice versa) does not serve the needs of the above constituents. Without such guidance the constituents may lack the contextual content for the specific profile under analysis.

1.3 What should be the duration of any Valuation Guidance Setting Activities?

“Some constituents believe that any valuation-guidance-setting activities should be subject to a limited duration. They believe that once principles are established, preparers, auditors, and regulators should be able to apply the principles to all relevant fact patterns. Once initial valuation guidance has been issued, the need for additional valuation guidance should be reevaluated at a later date to determine whether additional guidance is necessary.

Other constituents believe that new issues will continue to arise as financial reporting evolves, and preparers, auditors, and regulators will request clarification in the form of additional guidance for new fact patterns. They believe that a permanent process should be established to provide guidance as new issues continue to arise.” Do you agree?

At this time, a time table should not be established to limit the duration of Valuation Guidance Setting Activities. Once a framework is created that supports the needs of the marketplace the focus can shift toward other types of activities to provide further clarity as required.

A framework can be designed to limit the need for constant valuation guidance. The framework would have to be structurally sound to allow preparers, auditors and regulators to apply the principles to relevant fact patterns so they can generate repeatable, verifiable and auditable outcomes.

Yet, such valuation guidance setting activities should not be subject to a limited duration. New issues will appear nationally and globally. Additional guidance could be provided for clarification of new fact patterns. A permanent process should be established to provide guidance as new issues arise.

2. What Level of Participation Should Existing Appraisal Organizations Have in Establishing Valuation Guidance for Financial Reporting?

Existing Appraisal Organizations should be considered as participants to contribute to the Valuation Guidance for Financial Reporting where they can provide evidence that their internally designed valuation guidance methods:

- Demonstrate clear, specific and unambiguous direction to the specific fact pattern

- Address multiple fact patterns to provide the appropriate level of transparency to all impacted constituents so they can make clear investment and business decisions

Process for Issuing Valuation Guidance

3. *What Process Should Be Used for Issuing Valuation Guidance for Financial Reporting? The potential processes that could be used to issue valuation guidance include the following:*

- a. The FASB could issue valuation guidance without assistance from any external individuals or organizations.*
- b. The FASB could issue valuation guidance with the assistance from resource groups for specific issues.*
- c. The FASB could issue valuation guidance with the assistance from an organization structured similar to the FASB's EITF.*
- d. A separate permanent standard setter could issue valuation guidance under the oversight of the FASB and the SEC.*

d. A separate permanent standard setter could issue valuation guidance under the oversight of the FASB and the SEC.

Involving an independent standard setter could be of great benefit to all the impacted organizations. An independent standard setter may provide a different perspective on how to establish such standards.

In our view, this independent standard setter does not have to be 'permanently' independent from the FASB or the SEC. The FASB or SEC may consider assuming the responsibilities of 'setting the standards' on a going forward basis once the standards are developed and order is established so the standards can be repeated, verified and audited with an appropriate level of transparency.

Facts and circumstances would define when such responsibility might be assumed by the FASB or the SEC. Sufficient evidence would have to be demonstrated from the marketplace that the standards are working appropriately to achieve the outlined objectives. Given such evidence, there may be fewer changes to the established standards making it less burdensome for the governing body to manage the standard setting process.

Where special fact patterns exist, a special task force may be engaged based on well defined criteria to set implementation guidance within the global framework.

International Convergence

4. *Should the Process of Valuation Guidance Be on an International or National Level?*

The Process of Valuation Guidance should be on an International Level, not solely on a National level.

Addressing the Process of Valuation Guidance from an International Level will support the anticipated convergence of valuation guidance standards. An international focus will shape the standard setter's decisions to optimize the constraints of the framework by all constituents.

Public Roundtable

We would welcome the opportunity to discuss these issues or related issues in a public roundtable. Thank you.

Thank you for the opportunity to share our perspective. Any questions should be directed to Larry Smith at 508-881-2887.

Sincerely,

Larry Smith, CPA, CVA, CM&A, MBA

Boston, Massachusetts, USA

cc: Neil Smith, CSE, MBA