



Letter to all IVSC members and observers

16 January 2007

Dear IVSC Member,

A copy of the proposal to restructure the IVSC is enclosed with this letter. Three years ago, the Management Board recognised that the IVSC needed to be restructured to meet the needs of the international capital markets for an independent and objective international valuation standard setter. A small group – the IVSC Governance Group – was established to develop restructuring proposals. Many discussions have taken place both within the Management Board and with organisations such as the International Accounting Standards Board and the US Financial Accounting Standards Board. The Governance Group took into account those discussions when it presented its concept for IVSC restructuring to the AGM held in Beijing in September 2006. The AGM gave its approval to the development of the concept into more detailed proposals, which form the basis of the enclosed report.

I am of the view that what has emerged from the many discussions best encompasses what the new IVSC should look like:

- ❖ A non-government independent valuation standard setter;
- ❖ An independent standards board that encompasses the valuation of all assets and liabilities;
- ❖ An interpretations committee;
- ❖ A management board of trustees entrusted strictly with fund raising, management and the continued financial health of the organisation;
- ❖ A place for all stakeholders to have a voice;
- ❖ A professional board to buttress the standards; and
- ❖ A structure that is very similar to the IASB and FASB models where the standards board is the focal point or the heart and soul of the organisation rather than an organisation of valuation organisations.

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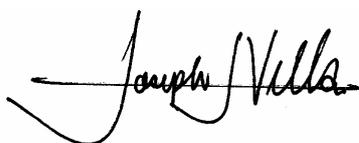
I understand that some IVSC members may have concerns with the extent of change proposed. There may be worries over the role that current members will play within the new organisation. The structure is such that there will be even more opportunity for institutes and their representatives to participate in the work of the IVSC than there is at the present. Others may worry that the cost of running an enhanced IVSC may lead to higher subscription rates. Again, one of the objectives of the restructuring is to foster greater participation by the whole of the valuation profession, users of valuation reports and other parties interested in valuation, which in turn will provide greater sources of funding to support the IVSC.

The objective is to have the restructured IVSC in operation by 1 January 2008. The aggressive schedule for change and adaptation is driven by external events. The adoption IFRS and particularly the growing debate on fair value measurement has elevated IVSC into the limelight and increased the pressure for the organization to respond to market needs, most notably currently is the valuation of intangibles. We have an incredible opportunity to take IVSC to the next stage of its evolution but it must be addressed quickly, efficiently and professionally as time is not on our side. If IVSC does not act, someone else will fill the void. In my almost 30 years in valuation, it seems the profession was always responding to some crisis not necessarily of its own making. This is one of those rare instances where the valuation profession has been ahead of the curve rather than behind it. Our response has to be swift if we are to maintain any advantage we presently have.

Please encourage your institute to discuss the IVSC Restructure Proposal and let us have your comments by 9 March 2007 at the latest. The Governance Group will consider all comments received. A Special Meeting of IVSC members is to be held on 12 April 2007 in San Francisco to vote on the proposal. Details on the meeting will be sent to you separately.

I look forward to receiving your views.

Yours sincerely,

A handwritten signature in black ink, reading "Joseph J. Vella". The signature is written in a cursive style with a large, sweeping initial 'J'.

Joseph J. Vella
Chairman, International Valuation Standards Committee