



INTERNATIONAL VALUATION STANDARDS COMMITTEE

PROPOSAL FOR THE RESTRUCTURING OF THE IVSC

A Report of the International Valuation Standards Committee's
Governance Group issued for comment

Comments to be received by 9 March 2007

January 2007

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APPENDIX

Diagrammatic Illustration of Proposed Restructure



INTERNATIONAL VALUATION STANDARDS COMMITTEE
RESTRUCTURE PROPOSAL

1 INVITATION TO COMMENT

2 The key elements of this proposal were approved in concept at the Annual General Meeting
3 (“AGM”) of the International Valuation Standards Committee (“IVSC”) in Beijing in October
4 2006.

5 Additional details of the proposal are included in this document and are being released now for
6 comment. That said, it would be unreasonable to expect that every detail of a potential
7 restructure could be anticipated for inclusion in this document. Further refinements will
8 undoubtedly be necessary in the course of completing a restructure and as a consequence, this
9 document should also be viewed as advancing a conceptual framework. The final proposal for
10 restructuring the IVSC will be voted upon by the IVSC membership at a Special Meeting to be
11 held in San Francisco in April 2007.

12 Questions and/or comments are requested on any aspects of this proposal. For ease of
13 identification, please refer to the line number(s) of the text about which you are seeking
14 clarification.

15 Questions/Comments should be submitted no later than 9 March 2007 by email to
16 CommentLetters@ivsc.org or addressed to:

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PREAMBLE

The Management Board of the International Valuation Standards Committee established a Governance Group to examine the IVSC's current operations and governance structure.

Following considerable discussion, the Governance Group concluded its mandate was, simply stated, to put forward a plan to ensure the following goals were achieved:

- The International Valuation Standards ("IVS") and the organization which delivers them, must be relevant; and
- The International Valuation Standards and the organization which delivers them, must be sustainable.

In order to achieve these goals, the following objectives were considered critically important by the Governance Group.

With respect to being Relevant:

- The International Valuation Standards must be expanded beyond their historic real property focus to include the entire "Valuation Profession";
- The International Valuation Standards must be a robust, independent and high quality set of global valuation standards; and
- The International Valuation Standards and associated media [website, reference documents and publications] must be a "value added" resource.

With respect to being Sustainable:

- The International Valuation Standards and the organization which delivers them, must provide immediate and recognizable benefits to users and stakeholders;
- The International Valuation Standards and the organization which delivers them, must be able to respond to present day realities, ie. provide "real time" solutions to users, IVSC stakeholders and other interested parties;
- The International Valuation Standards and the organization which delivers them, must be truly global in nature. That is to say, the IVSC must take a global perspective of valuation issues, must be global in terms of the regions represented



and must be global in its thinking and approach to seeking solutions to valuation problems;

- The International Valuation Standards and the organization which delivers them, must provide guidance to both developed and developing markets and/or countries in terms of education about International Valuation Standards, increasing awareness of the Body of Knowledge associated with International Valuation Standards and identifying those persons or organizations best qualified in the use and/or application of International Valuation Standards; and
- The International Valuation Standards and the organization which delivers them, must be absolutely without bias. Accordingly, the IVSC's standards setting activities must ensure independence and be able to bring together unparalleled professional and technical expertise.

Working from the premise that these goals and objectives are achieved, the Governance Group anticipates the following outcomes will be further advanced.

- That the Valuation Profession could come together around a set of global valuation standards and the associated Body of Knowledge and Best Practices, and in doing so, respond to and dispel the current view of many regulators and standard setters that valuation, as a profession, is highly fragmented;
- That the IVSC could more rapidly and better complete its own three point Mission Statement paraphrased:
 1. to be the global standard setter for the Valuation Profession;
 2. to establish and maintain high-quality international valuation standards; and
 3. to contribute to the development of the worldwide Valuation Profession thereby serving the public interest.
- That the IVSC could serve as a global and central repository for valuation Best Practices and the valuation Body of Knowledge; and
- That the IVSC could enable and assist the Valuation Profession in its general quest to establish criterion for professional accreditation.



THE CHALLENGES

Nothing will be gained by putting forward a Restructuring Proposal which does not recognize real world realities. In recognition of this circumstance, the Governance Group considered the following challenges in its formulation of this Restructuring Proposal:

- The International Valuation Standards and the organization which delivers them, has absolutely no authority. Use of, acceptance of, promulgation of and/or enforcement of International Valuation Standards is entirely voluntary;
- In order to be truly global, the International Valuation Standards must evolve from the contributions of a diverse group of persons with a wide range of valuation acumen, skills, backgrounds and knowledge;
- International Valuation Standards must originate from a source which is not only considered technically expert, but completely independent as well;
- In order to be both acceptable and accessible, the International Valuation Standards must be “deliverable” at nominal cost;
- The bringing together of the critically important technical expertise as well as management of the various resources through which the International Valuation Standards will be made available, must be organized in a cost effective manner;
- The current structure of the International Valuation Standards Committee, the Standards Board and the Management Board reflects historic attempts to be inclusive. As laudable an objective as this is, it has translated into an organizational and governance structure which can be cumbersome, which is overlapping or repetitive and as a consequence, is either more time consuming or less productive than it could be;
- The Valuation Profession is not well established or organized globally. Elements of the Valuation Profession may be found the world over, but globally, there is no consistency. The Valuation Profession is not present in some areas of the world. When it is present, the Valuation Profession is often viewed as disparate with respect to its membership, the education and qualifications of its



members, the numerous valuation organizations representing it or even the valuation disciplines which make up the profession.

- Demand for consistent definitions, standards and approaches or methodologies for the valuation of assets and liabilities is increasing. By way of example, International Financial Reporting Standards (“IFRS”) advocate more frequent valuation of assets and liabilities relative to business combinations, intangible assets, employee options and financial instruments. Moreover, sought after access to the world’s capital markets will heighten demand from investors, reporting entities and regulatory authorities for delivery of consistent and reliable valuation services;
- Education, both initial and continuing education, of both users of valuation services and valuation practitioners is critical.

THE PRESENT IVSC

The Governance Group attempted to examine the history as well as the strengths and weaknesses of the current IVSC operations and governance structure.

ORIGIN

The International Assets Valuation Standards Committee was created in 1981 as a grouping of national professional organizations initially bound together to harmonize UK and US standards and in turn, hopefully lead to consistency between national standards. Some of the early goals included working with the accounting profession on standards for valuation for financial reporting (“VFR”), laying the foundation for all valuation disciplines, to define and differentiate “Market Value” from other value types, and to distinguish “standards” from guidance.

NAME CHANGE AND INCORPORATION

The International Assets Valuation Standards Committee was renamed in 1994 to the International Valuation Standards Committee. In 2003, the IVSC was incorporated as a not-for-profit corporation in the State of Illinois, USA. Today, IVSC members and observers represent 54 countries. The day to day affairs of the IVSC are managed between Annual General Meetings by its Management Board. The Management Board has 18 directors, four of which are elected.



STANDARDS BOARD

In 2002, the IVSC Standards Board was established. Members of the Standards Board are currently appointed by the Management Board on an annual basis. The Standards Board consists of representatives from the broader IVSC member professional organizations/institutes and other standard setters such as The Appraisal Foundation in the USA or the ASEAN Valuers Association.

IVSC STRENGTHS

The current structure of the IVSC has significant strengths:

- The IVSC has produced high-quality standards that have received international support;
- The geographical reach of the IVSC membership has had a positive impact on adoption of International Valuation Standards – an important consideration for an organization that cannot compel countries or individual enterprises to adopt its standards;
- Continuity of IVSC and Board memberships speeds progress, promotes consistency and builds an atmosphere of collegiality and trust which is critically important;
- The involvement of a wide range of people in the IVSC, its Boards and other meetings of the IVSC membership, play an important promotional and educational role; and
- The IVSC operates at remarkably low direct cost.

IVSC WEAKNESSES

Changes in the environment in which the IVSC operates has highlighted the weaknesses of the IVSC. In order to face its future challenges, the IVSC weaknesses that must be remedied are:

- The current structure of the IVSC has the Standards Board reporting to the Management Board for approval. This process is repeated at the AGM. This is redundant and inefficient. Moreover, standards expertise at the Management Board and the AGM is not at the same high level as that of the Standards Board. The IVSC valuation standards setting process needs to be improved to ensure future standards are independent and of the highest possible quality;
- The structure of the IVSC and the International Valuation Standards reflect the historic origins of the organization that lay in the valuation of real property assets only;



- The IVSC was originally conceived by national valuation institutes as a vehicle through which “Best Practices” could be agreed upon and then shared with countries which did not have standard setting bodies. The IVSC work program concentrated on international harmonization of topics covered by existing national standards. The structure of the IVSC needs to be adjusted so that the original goal of coordinating “Best Practices” can be accomplished;
- The majority of the positions on the IVSC Management Board were originally based on either or both a country’s or a valuation organization’s ability to pay. Director positions on the future Management Board should be based upon the needs of the IVSC and qualified persons best able to satisfy those needs;
- Full membership in the IVSC is limited to professional valuation organizations or institutes. Other industry stakeholders are relegated to a subordinate member status. Stakeholders such as valuation companies, client groups, government agencies and institutions, academics and other interested parties could provide significant input, resources and funding to the IVSC; and
- In recent years, changes in IVSC's environment have placed considerable strain on the organizational and financial resources of a body that relies extensively on the commitment and work by volunteers. It will be difficult for a group of volunteers to sustain the current level of IVSC activities, let alone respond to increasing demand for standards, advice and direction on valuation issues. As a consequence and in order to succeed, future funding of the IVSC must be increased substantially.

OTHER MODELS

The Governance Group also researched the background to and current operating and governance models of a number of other standards oriented organizations. This research included: the International Accounting Standards Board (“IASB”); the International Federation of Accountants (“IFAC”) and The Appraisal Foundation (“TAF”) in the USA. Ultimately, two approaches to achieving representational legitimacy were considered.



The first was “political representative legitimacy”. This circumstance occurs when an organization’s legitimacy is derived from representation and voting by interest groups. Political representatives are chosen to represent a constituency [or interest group] and not because they are necessarily independent experts. This is the current International Valuation Standards Committee structure.

The second approach was the “independent expert” approach adopted by the International Accounting Standards Board. The idea behind this structure is that discretion resides with persons who are (1) chosen because they have expertise for the task at hand; (2) held accountable through an open, publicly observable decision process; (3) required to be independent of entanglements that could influence standard setting judgments; and (4) expected to follow the precepts of a conceptual framework in arriving at their judgments.

Recognizing the IVSC’s main priority is development of independent high quality professional valuation standards, the Governance Group felt the second approach was the most appropriate. In order to facilitate population of the various Boards and Committees utilizing a competency based approach, the Governance Group proposes establishment of a Nominations Committee in order to vet nominees and/or applicants to the various Standards Board and Management Board positions as they become vacant. The Nominations Committee will be appointed by and make recommendations to the Management Board.

THE PROPOSED IVSC RESTRUCTURE

It became apparent to the Governance Group in the course of attempting to complete its task that the IVSC’s relevance and sustainability could only be assured by addressing three related issues. These are, in order of priority:

- establishment of independent, multi-disciplinary, global valuation standards;
- establishment of education materials about said standards;
- establishment of an accreditation syllabus for the Valuation Professional.

Couple these issues with the practical reality that the current IVSC is barely able to resource current demands with



volunteers, much less increasing future demand, and one is left with no alternative but to expand. The needed expansion must include the IVSC's valuation disciplines, expansion of the IVSC's current perspective and expansion of the IVSC's membership. In so doing, the IVSC will also expand the resources it may call upon to succeed.

Put another way. The IVSC must provide the users of valuation services, the providers of valuation services and participants in the capital markets with reliable valuation standards, education of standards and criteria leading to consistent valuation practitioner accreditation. Doing this will ensure the IVSC is considered relevant. It will also guarantee the IVSC of sustainability.

To accomplish this however, the Governance Group concluded the IVSC must move well beyond its current boundaries (real property assets) to include the valuation of liabilities; must move beyond its current skill set (real property valuation) to include business and personal property valuation; and finally, must move beyond its current resources (the traditional "association of associations" approach to membership) to a less restricted and more inclusive approach to drawing upon expertise, skills and/or human resources. The latter would include a shift away from volunteer resources in favour of compensated positions or deliverables.

To this end and consistent with the related issues identified [lines 279-283], the Governance Group advocates a reorganization of the present day International Valuation Standards Committee organization in favour of and involving the following:

- Reorganize the IVSC Standards Board as an independent standards body and rename it the International Valuation Standards Board ("IVSB"). The IVSB will be responsible for standards creation and its own technical agenda. An Interpretations Committee should be created from within the Standards Board membership to provide IVSB approved interpretations of the International Valuation Standards;
- Rename and reorganize the International Valuation Standards Committee governance and operating structure. The IVSC acronym will be rebranded the "International



Valuation Standards Council” to reflect the broader remit of the organization as articulated in the IVSC’s mission statement;

- The International Valuation Standards Council will remain a membership based organization. That said, the criteria for membership must be broadened beyond national professional valuation organizations. Representation at meetings of the IVSC will be via either one of two membership groups. The one group will be entities that are generally regarded as members of the Valuation Profession, to include but not be limited to the IVSC’s current membership. The second group will be made up of entities which are generally regarded as users of, those influenced by or those with an interest in valuation services and/or valuation standards.

Both membership groups will be given ongoing opportunities to share their knowledge with the IVSC on a variety of subjects, to include standards. The Governance Group believes users and providers of valuation services will be more receptive to accepting the International Valuation Standards if they have been provided opportunities to contribute to and/or influence their development;

- Reorganize the Management Board to enable it to act in an oversight role and rename it the Board of Trustees. The Board of Trustees’ mandate will be to directly or indirectly formulate and manage the strategic functions of the IVSC between Annual General Meetings. These responsibilities will be in addition to the Board of Trustees’ primary role of ensuring financial viability of the IVSC organization. It is contemplated that Board of Trustees’ responsibilities and IVSC resourcing may be accomplished through a Standing Committee structure; and
- Create an International Valuation Professional Board to research and advise the Board of Trustees on matters related to the education of and professional criteria for practitioners.



**INTERNATIONAL VALUATION
STANDARDS BOARD (“IVSB”)**

The International Valuation Standards Board will be an independent decision making body; that is, the IVSB will have full and final authority to set its own agenda and to approve Exposure Drafts and standards.

MEMBERSHIP

This Restructure Proposal envisions a material change from the current volunteer based approach to populating the IVSB, in favour of what might eventually become a professional (compensated in whole or in part) IVSB.

The IVSB will have up to nine members. In the immediate term, the Nominations Committee will appoint all members of the IVSB, including the Chair. As soon as practicable however, the Nominations Committee shall commence a search for a full time, compensated IVSB Chair, and in due course, other IVSB members being retained and compensated for specific tasks or assignments as required.

The Nominations Committee will act to ensure diversity of geographic and professional backgrounds, with technical expertise being the key criterion. Members of the IVSB will be highly qualified, technically competent individuals who function to serve only the public interest.

Given the IVSC’s current volunteer base, IVSB members will be appointed for a mix of one (1) and two (2) year terms, renewable no more than twice. It is contemplated that a shorter term structure with staggered terms will facilitate the transition from a volunteer Standards Board to a professional [compensated] IVSB.

MEETINGS

The IVSB will meet two or more times per year. The IVSB shall advise the Board of Trustees regarding its agenda and anticipated activities. The IVSB will also confer with the Valuation Member group and the Industry Member group regarding their perception of needed standards.

Meetings of the IVSB will be open to public observation. Agendas for the meeting should be published in advance; summaries of technical decisions made at IVSB meetings should be published promptly.



RESPONSIBILITIES

The IVSB will have full discretion over the technical agenda and standards project assignments undertaken. The most important functions of the IVSB will be to prepare and issue Exposure Drafts and the International Valuation Standards.

The IVSB will prepare a budget for presentation to and approval by the Board of Trustees, which reflects the level of activity and associated costs of implementing its technical and standards agenda. Annual budgets will include all IVSB compensation, technical and administrative staffing, and all other costs incurred in order to facilitate production and promulgation of the International Valuation Standards, manage and co-ordinate all staff functions and/or the out-sourcing of other organizational tasks.

Each IVSB member will have one vote, and the affirmative vote of seven IVSB members will be required for any decision to adopt, revise or withdraw a valuation standard.

The IVSB will establish from within its ranks, an Interpretations Committee, which as the name implies shall provide formal interpretations of the International Valuation Standards. The IVSB shall approve, when appropriate and prior to publication, final interpretations offered by the Interpretations Committee.

DUE PROCESS

The due process of the IVSB will be to ensure the development of International Valuation Standards that are of the highest quality. In general, the IVSB will work in ways it considers most effective and cost efficient. It may elect to form or call upon expert groups or other forms of advisory groups to seek advice on major projects. The IVSB may also wish to outsource detailed research or other work to national valuation organizations and standard setters.

The IVSB will publish proposals for exposure prior to the adoption of new or revised standards or guidance. An exposure period of six months should normally be allowed.

The IVSB will advise the Board of Trustees and the IVSC membership in general of its current activities as well as its planned activities in order that the entire organization may be and remain knowledgeable and informed.



THE RESTRUCTURED INTERNATIONAL VALUATION STANDARDS COUNCIL (“IVSC”)

The International Valuation Standards Council (“IVSC”) will be the global organization for the Valuation Profession and related entities interested in or influenced by valuation standards. The IVSC’s structure and governance will provide for representation by diverse constituencies and interaction with external entities or parties that rely on or are influenced by the standards and work of professional valuers.

Membership in the International Valuation Standards Council will be via one of two membership groups: IVSC Valuation Members and IVSC Industry Members.

VALUATION MEMBERSHIP

IVSC Valuation Members shall be comprised of not-for-profit national valuation organizations, associations and/or institutes. Standard setters recognized by law or general consensus within a country will also qualify as a Valuation Member.

Two categories of Valuation Membership will be available: Full and Associate. Criteria for membership will be more fully developed but would encompass the following principles:

- **Full Membership** is open to national valuation organizations acknowledged, either by legal decree or general consensus, as being a national professional body with responsibilities for the development of the Valuation Profession. In the case of general consensus, the organization must demonstrate evidence that it is national in scope, has the support of government and the business community and is a body in good standing in the jurisdiction.
- **Associate Membership** may be granted to valuation organizations that are at an earlier stage of their development or operate within a regulatory and standard-setting framework that presents challenges with respect to the incorporation and implementation of International Valuation Standards.

The IVSC supports the strengthening of valuation organizations which do not currently meet the criteria for Full Membership. Prospective organizations may apply and be considered for Associate Membership in advance of



qualifying for or meeting all the Full Membership valuation organization criteria.

**INDUSTRY
MEMBERSHIP**

IVSC Industry Members shall be comprised of entities interested in the Valuation Profession and/or valuation standards. These entities will be provided with the opportunity to provide input and participate as a Full Member through a committee structure forming the IVSC Industry Membership.

Full Membership will be available in one of four categories effectively grouped by “type” or “interest” as follows:

- **Corporate Member** – companies and/or entities providing valuation services. International networks of firms practicing under the same name or whose member firms are otherwise closely identified with one another, such as through common elements in their name will be expected to join as one entity.
- **Client Member** – for-profit entities such as lending institutions, accounting firms, insurers, brokerage firms, asset managers, investment bankers, and others with an interest in valuation.
- **Institutional Member** – non-profit entities and government agencies that represent valuers, users of valuation services and government agencies.
- **Academic Member** – universities, colleges and other education based entities or institutes that provide advanced education to valuers or persons wanting to become professional valuers.

**MEMBER ADVISORY
PARTICIPATION**

The Valuation Members and the Industry Members will have opportunities to make formal recommendations to the IVSC Boards on major issues. The Valuation and Industry Members will assist the various IVSC Boards in their respective roles to advance the IVSC generally and more particularly, in identifying and cultivating support for the work of the IVSC.



IVSC ANNUAL

GENERAL MEETINGS

The IVSC will meet once a year at an Annual General Meeting and will be responsible for deciding constitutional issues/questions, electing persons to the Board of Trustees and ratifying [confirming by formal consent] decisions of the Board of Trustees, appointing auditors, ratifying appointments to the IVSB and International Valuation Professional Board, and approve membership applications to the IVSC.

The IVSC will receive progress reports from the Chairs of the operating Boards at each meeting and review developments in such areas as:

- international valuation standard-setting
- operating and financial review
- development of the profession

VOTING

Each Full Member and Associate Member will be entitled to one vote at the IVSC Annual General Meeting.

With respect to Business Matters, an affirmative vote equal to a simple majority (fifty percent plus one member) of those members in attendance and eligible to vote will be required. Business Matters shall include receipt of reports, ratification of Board of Trustees' decisions and matters other than Constitutional Matters.

With respect to Constitutional Matters, an affirmative vote equal to not less than three quarters ($\frac{3}{4}$) of those members in attendance and eligible to vote will be required. Constitutional Matters shall include changes of any nature to the IVSC bylaws, rules and regulations and/or incorporation documents or any other change, the effect of which would be to change the governance structure of the IVSC.

IVSC CHAIR

The Board of Trustees will appoint the Chair of the IVSC, which appointment shall be ratified at the IVSC Annual General Meeting. S/he will act as Chair of both the IVSC and the Board of Trustees. The person appointed Chair can be either a Valuation Member or an Industry Member but shall not be considered to represent either member group.



BOARD OF TRUSTEES

The Board of Trustees will be comprised of individuals who act with integrity and to the extent possible, in both the interest of the IVSC and public interest.

MEMBERSHIP

The Board of Trustees will be comprised of a Chair and fourteen (14) individuals serving as Trustees of the IVSC. Trustees will serve for up to three (3) year terms, which shall be renewable once.

All Trusteeships are personal; alternates and proxy voting will not be permitted. Although IVSC Trustees may be a Valuation Member or an Industry Member, when sitting as IVSC Trustees they are responsible for and accountable to the IVSC. For this reason, Trustees **can not** serve as the designated representative of a valuation organization or an industry entity to the IVSC.

The Nominations Committee shall ensure that a simple majority of the Board of Trustees are representatives of the Valuation Professional. Furthermore, the Nominations Committee shall ensure valuation discipline diversity among the valuers on the Board of Trustees. The Nominations Committee shall also seek to ensure the Board of Trustees is geographically representative as befitting an international organization.

TRUSTEES

The Board of Trustees will consist of fifteen (15) individuals including the Chair.

Given the IVSC's financial viability and strategic management functions are conducted by the Board of Trustees, the Nominations Committee may both seek and/or entertain applications for the Board of Trustees from the Valuation Members and the Industry Members, as well as from the Public at large as deemed necessary by the Board of Trustees. The make-up of the Board of Trustees, as far as is practicable, shall reflect in the individuals selected, an understanding of the needs of the IVSC and issues relevant to the viability and management of a global standard setting organization. The Nominations Committee shall notify the IVSC Membership of scheduled vacancies in a timely manner.

Each Trustee will have one vote, and the affirmative vote of ten (10) Trustees will be required for any decision of the Board of Trustees to be adopted.



MEETINGS

The Board of Trustees will meet not less than two times per year. The Board of Trustees shall advise the IVSC regarding its agenda.

All or any portion of the meetings of the Board of Trustees may be open to public observation or conducted in-camera at the sole discretion of the majority of the Trustees.

Agendas for the Board of Trustees meetings should be circulated to the Trustees in advance. Summaries of decisions made at Board of Trustees meetings will be distributed to Trustees promptly and will be presented at the Annual General Meeting of the IVSC for ratification.

RESPONSIBILITIES

The Board of Trustees will be responsible for:

1. Fund raising and ensuring the financial viability of the IVSC;
2. Review of the IVSC strategic plan and its effectiveness;
3. Annual review of the IVSC budget and securing commensurate funding;
4. Review of strategic issues affecting valuation standards. Trustees are excluded however from all technical matters related to International Valuation Standards;
5. Oversight and appointment of members of Standing Committees;
6. Based upon recommendations of the Nominations Committee, appointment of members of the International Valuation IVSB and the Interpretations Committee;
7. Appointing members of the International Valuation Professional Board and exercising oversight of the work of the Professional Board;
8. Reviewing membership applications and put forward recommendations to the International Valuation Standards Council on membership applications and suspensions;
9. Distributing annually a report on the activities of the IVSC including audited financial statements.



STANDING COMMITTEES

The Board of Trustees may carry out its responsibilities through the following Standing Committees:

- Finance Committee:
- Nominations Committee:
- Membership Committee:
- Publications Committee:
- Marketing Committee:
- IVS Education Committee

DUE PROCESS

The due process of the Board of Trustees will be to ensure the financial viability of the IVSC as well as the prudent and proactive management of its operations. All Board of Trustees decisions shall be reported to the IVSC membership at the Annual General Meeting.

**INTERNATIONAL VALUATION
PROFESSIONAL BOARD**

The International Valuation Professional Board will carry out the directives of the Board of Trustees in setting its agenda.

MEMBERSHIP

The International Valuation Professional Board will have up to nine members appointed by the Nominations Committee. The members of the International Valuation Professional Board will appoint one member to serve as Chair.

The Nominations Committee will act to ensure diversity of geographic and professional backgrounds, but technical expertise will be the key criterion. Members of the International Valuation Professional Board will be highly qualified, technically competent individuals who function to serve only the public interest. International Valuation Professional Board members will normally be appointed for a fixed term of five years, which shall be renewable once.

MEETINGS

The International Valuation Professional Board will meet not less than two times per year. The International Valuation Professional Board shall advise the Board of Trustees regarding its agenda.

Meetings of the International Valuation Professional Board may be open to public observation.



RESPONSIBILITIES

The International Valuation Professional Board will survey professional valuation organizations regarding their educational requirements, their Body of Knowledge and their Best Practices.

The International Valuation Professional Board will then:

1. develop an international education curriculum for accreditation of professional valuers;
2. develop a multi discipline international Body of Knowledge; and
3. develop a set of international valuation Best Practices for the three valuation disciplines,

making same available to existing and developing nations.

DUE PROCESS

The due process of the International Valuation Professional Board will be to ensure development of criterion for international valuation education, the valuation Body of Knowledge and Best Practices that are of the highest quality. Users and particularly providers of valuation services are more likely to accept suggestions if they have opportunities to contribute to their development.

The International Valuation Professional Board will not write educational courses or materials, but will suggest educational topics and concepts for professional valuation organizations to use in developing educational programs.

**IVSC FUNDING
AND RESOURCING**

The Governance Group believes the IVSC must have sufficient, suitably qualified staff to support the technical and administrative needs of the International Valuation IVSB as well as the secretariat and administrative needs of the Board of Trustees and the International Valuation Professional Board.

Accordingly, and in order for the IVSC to evolve successfully, the Governance Group is of the view the International Valuation Standards Board must eventually have sufficient funding to compensate IVSB members, in whole or in part, in addition to funding the general and administrative costs associated with the proper operation of an international standard setting organization.

It is contemplated that, with the exception of the International Valuation Standards Board Chair [and in due course other



IVSB members], all persons serving the IVSC on the Board of Trustees, Standing Committees and International Valuation Professional Board will act in a voluntary capacity. All costs of attending meetings of the International Valuations Standards Board, the Board of Trustees and the International Valuation Professional Board will be covered.

Representatives of IVSC member organizations will be expected to meet their own costs of attending IVSC meetings, Board and/or Committee meetings.

FOLLOW-UP ACTIVITIES

Assuming this Restructure Proposal is accepted by the IVSC membership, the Governance Group recommends that a Business Plan and new Bylaws and Regulations be drafted. The Business Plan should include researching and developing budgets for the staged transition from a volunteer based to a professional based International Valuation Standards Board.

The Governance Group believes there will be substantial international commitment to finding an acceptable structure to develop a set of globally accepted valuation standards. The Governance Group also anticipates its proposal for a more independent international valuations standard setter, and greater participation by the valuation profession and those who rely on valuation advice, will lead to a commitment to provide resources and sources of funding to support the restructured organization.

TIMETABLE FOR CHANGE

The Governance Group recommends that the IVSC membership use its best efforts to make the new structure operational by the 1st of January 2008. The proposed timetable is as follows:

- | | |
|-------------------------------|--|
| April 2007: | • IVSC Meeting - approve Restructure Proposal recommendations. |
| April-July 2007: | • Draft new By-Laws and Regulations. |
| | • Seek funding. |
| October 2007: | • IVSC AGM - Approve new By-Laws and Regulations. |
| 4 th Quarter 2007: | • Appoint IVSB Chair. |
| January 2008 | • New structure operational. |



727 It is acknowledged by the Governance Group that this is an
728 aggressive and challenging timetable.

729 The presumption is also made that an International Valuation
730 Standards Board Chair will be identified as well as names of
731 prospective individuals prepared to make the necessary
732 commitment to serve on the restructured IVSB and Board of
733 Trustees, which will allow IVSC members to decide whether to
734 approve the required constitutional changes at the October
735 2007 Annual General Meeting. The names of prospective
736 International Valuation Professional Board members would be
737 sought following approval of the Restructure Proposal.

738 **STRUCTURE REVIEW**

739 The Governance Group hopes this restructure of the IVSC can
740 act as a blueprint for achieving the ultimate desired structure
741 for an international body serving the whole of the Valuation
742 Profession. Considerable detail has yet to be worked out in
743 order for the IVSC to successfully evolve. For this reason,
744 review of the effectiveness of the new structure is a critical step
745 to achieving eventual success. The Governance Group
746 recommends that the Board of Trustees undertake a triennial
747 review following implementation of the new structure, to
748 ensure necessary revisions are put into place and that similar
reviews be conducted with the same frequency thereafter.



749 **GOVERNANCE SUMMARY TABLE**

750	<u>BOARD</u>	<u>NO.</u>	<u>TERM (RENEWAL)</u>	<u>REPRESENTATION</u>
751	International Valuation Standards Board	9	1 and 2 years (2)	Competency based.
752				Regional and Disciplinary diversity and balance
753				sought, but not mandatory.
754				Members appointed by Nominations Committee.
755	Board of Trustees	15	3 years (1)	Chair selected by the Nominations Committee.
756				Competency based.
757				Valuation Member and Industry Member
758				representation sought, but not mandatory.
759	International Valuation Professional Board	9	5 years (1)	Representatives of the Valuation Profession shall
760				represent a simple majority.
761				Disciplinary diversity among Valuation Profession
762				representatives.
763	International Valuation Professional Board	9	5 years (1)	Trustees appointed by Nominations Committee.
764				Chair elected from and by Trustees.
765				Regional and Disciplinary diversity and balance
766				sought, but not mandatory.
767	International Valuation Professional Board	9	5 years (1)	Members appointed by Nominations Committee.
768				Chair elected from and by Board members.
769				
770				

INTERNATIONAL VALUATION STANDARDS RESTRUCTURE

