

August 31, 2004

CFA Institute
Professional Standards & Advocacy Department
P.O. Box 3668
Charlottesville, Virginia 22903

E-mail: standardsetting@aimr.org

Re: 'Gold' GIPS Standards

Dear Sir/Madam:

The Appraisal Institute has reviewed the Global Investment Performance Standards (GIPS) promulgated by the CFA Institute, and we wish to provide feedback on pertinent sections dealing with real estate investment disclosure. We realize that the technical provisions (including real estate) have already been finalized, but we offer our suggestions for your consideration.

External Valuation

The Appraisal Institute is encouraged by your requirement for regular valuations of real estate investments, including the stipulation that external valuations be performed by "a Professional Designated, Certified or Licensed Valuer/Appraiser." As real estate assets form a substantial basis or foundation for many investment portfolios, it is important for value opinions to come from qualified valuation professionals. This will help ensure the objectivity and accuracy of the value opinion.

Consistent and Comparable Standards

Consistency and comparability of financial standards will help increase transparency of financial information. In the appraisal and valuation profession, the International Valuation Standards (IVS) promulgated by the International Valuation Standards Committee are recognized by more than 50 countries. IVS are compatible with local standards such as the Uniform Standards of Professional Appraisal Practice in the United States and the Red Book in the United Kingdom. If GIPS are to be consistent and comparable with existing valuation standards, we recommend that you require valuations be performed in accordance with the International Valuation Standards. For this reason, we suggest you revise the wording in Section 6.A.2 as follows:

6.A.2 *"Real estate investment must be Externally Valued by a Professional Designated, Certified, or Licensed Valuer/Appraiser at least once every thirty-six months. (The first External Valuation must be completed no later than December 31, 2007. Firms are encouraged to complete an External Valuation sooner than 2007.)* **External Valuations must be completed pursuant to the International Valuation Standards (IVS) of the International Valuation Standards**

Committee. Where existing laws or regulations impose valuation standards, valuers are required to comply with IVS in addition to their local standards. Compliance with the required local standard does not necessarily lead to compliance with IVS. When complying with IVS and the local standard, valuers must disclose any local standard that conflicts with IVS, and report the final value in accordance with IVS.

Market Value vs. Fair Value

We note that you propose Fair Value as the basis for the valuation of private equity while using Market Value as the basis for real estate. While we recommend you maintain a market value standard for real estate, we suggest you consider using Market Value for the private equity as well. We believe Market Value provides a more precise and more objective standard of measurement than Fair Value.

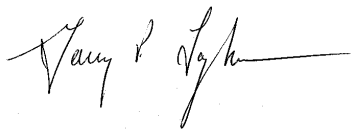
In particular, we recommend that you use the Market Value definition promulgated by the International Valuation Standards Committee where market value is defined as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.”

The IVSC is working hard to provide a common standard for valuation around the world. The organization is supported by the valuation organizations of over 39 countries and is also recognized by the International Accounting Standards Board and others as the international voice for valuation best practices. Through this relationship, it is developing and revising valuation standards to ensure that they are consistent with and complementary to the proposed International Accounting Standards/Financial Reporting Standards. Using the IVSC definition of Market Value helps to establish important consistency in language and concepts across professions, supporting your goal to achieve global relevance and reliance on global best practices.

Thank you for the opportunity to comment on the Global Investment Performance Standards promulgated by the CFA Institute. In this time of increasing globalization, we applaud your contribution to the effort for international financial standards. This effort parallels those undertaken by both the accounting and valuation professions. It is our hope that GIPS will work in concert with each so as to form a solid network of support for investment, financial reporting, and valuation. Should you have any questions, please contact Alison Gerlach, Manager, Special Projects, Appraisal Institute, at 312-335-4116 or agerlach@appraisalinstitute.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary P. Taylor", with a long horizontal line extending to the right.

Gary P. Taylor, MAI, SRA
President