

# AMERICAN INSTITUTE OF MINERALS APPRAISERS

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## NEWSLETTER

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### **Candidates For AIMA Offices**

*Editors Note: Ballots are in the mail*

#### **President**

Robert Frahme

#### **Vice President**

Charles Melbye

#### **Treasurer**

William Bagby

#### **Secretary**

John Gustavson

Please return your ballot by February 15, 2007. The elected officers for Year 2007 will be announced at our Annual Meeting.

### **2007 Annual Meeting**

Our 2007 Annual Membership Meeting will be held on February 27<sup>th</sup> at the Marriott City Center, 1701 California Street, Denver, Colorado 80202.

A social hour will begin at 5:00 pm

The meeting will begin at 6:00 pm and be held in a “break room” at the hotel. Arrangements have been made for serving dinner in that room following the meeting. Drinks will also be made available. All AIMA Members planning to attend this important meeting please notify your Newsletter Editor, Donald Warnken, by e-mail at [dongene32@sbcglobal.net](mailto:dongene32@sbcglobal.net). A dinner menu will be made available at a later date for those who plan to attend.

We have an agenda that should be of interest to all. Some issues to be considered are:

- ❖ Should AIMA, as an organization, undertake the holding of short courses and or seminars relating to the various aspects of Extractive Industries valuation?
- ❖ Should AIMA become an Associate Member of the Appraisal Institute?
- ❖ Should AIMA form a Committee to respond to the Financial Accounting Standards Board’s request for comment on their proposed “Valuation Guidance for Financial Reporting”?

Should you wish to express your opinion on any one or all of the issues or to add a subject to the agenda, please advise your President by e-mail at [valmin@sbcglobal.net](mailto:valmin@sbcglobal.net).

Telephone and fax numbers for the Marriott are, respectively, 303-297-1300 and 303-298-7474. The hotel is situated approximately three (3) blocks northeast of the Colorado Convention Center.

## Thumb Nail Biography Sketch of the Candidates

### Robert Frahme:

- Over 16 years of experience in mining industry as an exploration and development geologists, approximately 1/3<sup>rd</sup> of which was in the iron ore industry.
- MBA in Economics Finance, leading to several years as Mineral Economists with BLM and Mineral Appraiser/Financial Analyst with Exxon Minerals Company.
- Over 16 years in commercial, industrial and mineral property appraisal for financing, litigation support in eminent domain proceedings and estate planning and marketing pricing.
- B.S. in Geology and holds a Masters in Business Administration
- Appraisal Institute MAI Designation.
- Certifications; Professional Geologists, Mineral Appraiser (AIMA), General Appraiser in the States of Colorado, New Mexico and Montana, and Real Estate Appraiser in States of Idaho, Pennsylvania and West Virginia.
- AIMA Member (2002) and has served on the AIMA Counseling and Ethics Committee, Continuing Education Committee and the Body of Knowledge Committee.

### Charles Melbye:

- AIMA Member (1992), AIPG Member and American Institute of Mining & Metallurgical Engineers Member. He is also Chairman of the Board, Colorado Mining Association, the Minerals Availability Committee of the American Mining Congress (Washington D.C.), and on the Board of the Denver Theological Seminary.
- His entire career, spanning 40 years, has been devoted to the seeking, acquisition, exploration, feasibility studies, and operation of mining properties. He now focuses on applying the standards of mining and appraisal industries on a consulting basis.
- He attended the University of Minnesota and graduated from the Colorado School of Mines with a Geological Engineer-Mining degree. Also has accomplished 3 years of graduate work at the Colorado School of Mines.
- Is fluent in English and Spanish.
- Current Vice President of AIMA

### William C. Bagby:

- Certifications; Mineral Appraiser (AIMA), California Registered Geologist, Wyoming Professional Geologists and *Qualified Person* for Canadian stock exchange purposes

- Memberships; AIMA, Fellow- Society of Economic Geologists, Association of Exploration Geochemists, SME and Geological Society of America
- He has over 28 years working experience in appraisal, exploration and economic valuations of gold, silver, copper, lead, and zinc properties.
- B.A. in Biology and Ph.D. in Earth Science, both from the University of California.
- Fluent in English and Spanish. Also, speaks some German.

### John B. Gustavson:

- Over 41 years of experience in the field on natural resource development. He has consulted on oil and gas exploration and development and in areas of precious metals, base metals, coal and coal bed methane and geothermal energy.
- M.S. in Geology and M.S. in Chemical Engineering. Also has accomplished some graduate level studies in Mechanical Engineering.
- Member of AIMA, Society of Petroleum Engineers, American Institute of Professional Geologists and Society of Economic Geologists.
- Certifications: Minerals Appraiser (AIMA) and Professional Geologists (AIPG).
- Academic Appointments: Visiting Lecturer at University of Colorado, Department of Geological Sciences and Lecturer at University of Tulsa, Division of Continuing Education.
- He is founding member of AIMA and has served as an Officer in all AIMA offices. He is currently AIMA Secretary.
- He is fluent in English, German, French, Spanish and Danish (native).

## Annual Dues

Annual Dues notices have been mailed however there was an **error** in it. The dues are \$60 for Full Member and \$30 for Associate and Emeritus (Retired) Members. Associate Members and Emeritus Members are advised to disregard the dues amount shown in the notice and to pay only \$30. Please forward your remittance to;

Robert Frahme, Treasurer  
Gustavson & Associates, LLC  
5757 Central Avenue, Suite D  
Boulder, CO 80301

## Ethics Committee Report

John B. Gustavson; Ethics Committee Chairman

In our January 2006 Newsletter, an article was presented that was titled "From The Work Files of the 2005 Ethics Committee". Case B in the article concerned an Ethics Violation Complaint that had been filed with the President of the AIMA. Subsequently, the President appointed John B. *Continued on page 3*

## **Ethics Committee Report**, *Continued from page 2*

Gustavson to be the Ethics Committee Chairman and charged him with the responsibility of investigating the complaint as well as other duties for the year.

The complaint concerned an employee or agent of an AIMA Member who allegedly collected mineral samples without a geologist's license in a state that required one.

The employee or agent of the AIMA Member has since filed an affidavit with the respective state promising not to operate as a geologists or call himself a geologists in that state. The authorities in that state are not pursuing a license violation any longer.

In parallel, the AIMA investigation was suspended, because the complainant and the accused AIMA Member were involved in various roles in litigation, which peripherally pertained to the complaint that by then had advanced to an Appellate Court.

A ruling by the Appellate Court was needed by the AIMA Ethics Committee to now ascertain, if there was any basis for determination of an AIMA Ethics Code Violation. If so, and investigation would immediately continue in accordance with established AIMA procedures.

However, the AIMA Ethics Committee upon examination of the Appellate Court Ruling in January 2007 learned that the subject Court had upheld part of the lower court's ruling, reversed another part and remanded a third part back to the lower court. Therefore, there is still no conclusion to the litigation and therefore no "green light" for continuing the ethics violation procedure.

### **Continuing Education**

Continuing Education (CE) credits have been received and credited to each member that has filed.

Robert Frahme, our Continuing Education Chairman has stated that a brief statement is needed along with the notification describing the relationship of the course taken and the appraisal process to assure credit.

For those that have not taken the USPAP 2007 course, you should so do. A 15 hour USPAP course is available through the Appraisal Institute. Participants will learn the basic rules for ethical behavior and will learn how requirements of the *Uniform Standards of Professional Appraisal Practice* affect your appraisal business. In addition to the education you will receive CE credit.

Also, the Appraisal Institute is now giving a course on "The Yellow Book" aka as the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA). UASFLA rules generally conform to USPAP rules but there are areas of departure. Specifically, USAFLA rules are to be followed (*a*

*mandatory requirement*) where Federal land acquisitions are involved because of certain Federal Acts (Laws) and Case Law. It is the *Editors* understanding that the Federal Government is now requiring strict adherence to USFLA rules in all of their appraisal contracts.

The Yellow Book can be purchased from the Appraisal Institute or downloaded from <http://www.usdoj.gov/enrd/land-ack> . USPAP can be furnished from the Appraisal Foundation or downloaded from; <http://www.commerce.appraisalfoundation.org>.

The Appraiser Qualification Board (AQB) of the Appraisal Foundation has issued a statement that indicates effective 01/01/2005 an appraiser must successfully complete the 7-hour USPAP Update course every two years to meet USPAP continuing education requirement.

The appraiser can take the 15-hour USPAP course but it will only count for hours toward his or her state's continuing education requirement; the 15 hour program will not meet the USPAP continuing education requirement.

### **IVSC and Appraisal Foundation Memorandum of Understanding**

The International Valuation Standards Committee (IVSC) and The Appraisal Foundation (TAF) have issued a Memorandum of Understanding (MOU), known as the "Madison Agreement".

The goal of the MOU is for the two organizations to share a common vision of a valuation profession with a single set of high quality understandable and enforceable global valuation standards. The MOU was reached at a meeting that was held in Washington D.C. on February 3, 2006. Further, their respective Boards have endorsed it.

Their first step is to seek convergence of the *Uniform Standards of Professional Practice* (USPAP) and the *International Valuation Standards* (IVS). Small working groups are to identify current differences between the two sets of standards, which both organizations will exercise their best efforts and work towards elimination of identified differences.

The MOU was signed by Joseph J. Vella, Chairman of the International Valuations Standards Committee and by Lee P. Hackett, Chairman of the Appraisal Foundation.

A complete copy of the Memorandum of Understanding can be obtained from the Internet at [www.ivsc.org/ARGEEMENT](http://www.ivsc.org/ARGEEMENT).

Trevor Ellis, AIMA Member, is Chairman of the IVSC Task Force For The Extractive Industries. He and his task force members have developed Guidance Notes for the IVSC that have been used in their Standards preparation.

**Administrative Law, Civil Procedure,  
Environmental Law, Government Law,  
Indian Law, Property Law & Real Estate**

*Editor's Note: Michael Cartwright has furnished the following case laws for your information*

**Gros Venture Tribe v. US**, No. 04-36167 (9<sup>th</sup> Cir. November 13, 2006)

Dismissal for lack of jurisdiction of Indian tribes' claims alleging that the government had violated trust obligations by authorizing and planning to expand certain gold mines is affirmed where: 1) nothing within the statutes or treaties cited by the tribes imposed a specific duty on the government to manage non-tribal resources for their benefit; 2) because the tribes do not have a common law claim for breach of trust, they must rely on the APA for a private right of action; and 3) applying the APA to the claims, dismissal was proper.

<http://caselaw.lp.findlaw.com/data2/circs9th/0436167p>.

**Western Placer Citizens for an Agric. & Rural Env't v. County of Placer**, No. CO493544(Cal. 3d App. Dist. November 09, 2006

Determination that a county's environmental impact report analyzing a proposed aggregate mine violated the Environmental Quality Act is reversed where: 1) CEQA does not per se require a revised project description be included in the FEIR itself, and substantial evidence in the record demonstrated the changed phasing of aggregate mining and reclamation was not significant new information requiring additional analysis in, or recirculation of, the FEIR; and 2) the record contains sufficient evidence to support defendant's findings that there would be sufficient water to supply the project's needs through its mining life and its reclamation requirements.

<http://login.findlaw.com/scripts/callaw?dest=ca/caapp4th/slip/c049364.html>

<http://caselaw.lp.findlaw.com/data2/californiastatecases/c049364>.

**2007 SME Annual Meeting & Exhibit and  
109<sup>th</sup> National Western Mining  
Conference**

The 2007 SME Annual Meeting & Exhibit and 109<sup>th</sup> National Western Mining Conference are to be held February 25<sup>th</sup> thru 28<sup>th</sup> in Denver, Colorado. The conference will be conducted at the Colorado Convention Center.

Donald Warnken is Chairman of the Valuation Session. He has been informed that because of time constraints, each author's paper delivery is limited to twenty (20) minutes. Schedule for the Valuation Session is as follows:

9:00AM – Opening remarks by the Chairman

9:05AM – Cost Approach Methods for Mineral Property Valuation – Trevor Ellis, Ellis International Services, Inc., Denver, Colorado

9:25AM – Conveyance of Federally Owned Mineral Interests – James Evans, Citrus Heights, California

9:45AM – Mineral Appraisals and Mineral Appraisers: Why Do You Need Them, and What For? J. Stuart Limb, CME Inc., Scottsdale, AZ

10:05AM – Appraising 3 Bad Pennies: Mitch Albert, Dry Creek Resources, Centennial, Colorado

10:25AM – Effect of Politics on Mineral Asset Valuation in Latin America: Steven Olmore and Associates Inc., Miami, FL

Abstracts were presented in our October 2006 AIMA Newsletter pertaining to each paper.

**Proposals to Restructure IVSC Released  
for Consultation**

*Editor's note: AIMA Members are encouraged to respond to the proposed IVSC restructuring*

Radical proposals for restructuring the IVSC were published today – 18 January 2007 – and are available on the IVSC website – [www.ivsc.org](http://www.ivsc.org)

The IVSC has embarked on a proposed major restructuring process not unlike that undertaken by the International Accounting Standards Committee in the late 1990s that led to the creation of the International Accounting Standards Board (IASB).

Chairman of the IVSC, Joseph Vella, introducing the proposals said, “ The valuation profession is under the spotlight as never before. The greater use of fair value has significantly raised the profile of valuations used for financial reporting purposes and is triggering increased scrutiny of the profession from regulators and other parties. The valuation profession is being challenged to come together around a set of robust and high quality valuation standards and to raise the quality of valuations internationally. The proposals for a restructured IVSC will provide the organizational structure for the profession to do just that.”

The restructuring proposals have been developed by a Governance Group established by the IVSC Management Board. The key recommendations of the Group are:

- That a new International Valuation Standards Board be created which would be an independent and autonomous decision making body. Concurrently, an International Valuation Standards Interpretations Committee would be
- Continued on page 5*

## Proposals to Restructure IVSC Released for Consultation, *Continued from page 4*

created under the direction of the Standards Board;

- That the IVSC be renamed the International Valuation Standards Council. It would remain a membership based organization but the criteria for membership would be broadened beyond national professional valuation institutes to include valuation companies, national standard setters, users of valuations, academics and others. IVSC members would enhance the standard setting process by consulting with the International Valuation Standards Board on technical issues and project priorities through Advisory Councils.

- That there is a need to protect the public interest by assisting in the development of high quality practices by the world's valuers and the responsibility to assist the development of the profession in developing countries. A new International Valuation Professional Board will be created and will be responsible to the Management Board, to deal with this area of work.

- That an elected Board of Trustees would have responsibility for oversight of the work of the International Valuation Standards Council. Responsibility would include ensuring adequate funding and resources, high quality staff support, and the protection of the Boards' independence and integrity.

Vella continued, " The current IVSC structure with membership by national professional valuation institutes reflects the historic origins that lay in the valuation of real property assets only. The new structure will capture a broad range of valuation expertise which will allow the IVSC to proceed rapidly in response to market needs with the development of standards and guidance covering all aspects of valuation including the valuation of intangible assets, liabilities, and various equity and debt instruments. I fully appreciate that restructuring the IVSC involves asking many groups to change how they participate within IVSC. The current IVSC member institutes will be asked to acknowledge and work with other stakeholders; national standard setters will be asked to recognize the authority of the new International Valuation Standards Board ("Standards Board"); national professional organizations will be asked to extend recognition to the new IVSC Professional Board. In return, the significant contribution that a properly structured IVSC could make to the development and standing of the valuation profession, to strengthening the IVSC relationship with other international standard setters , and to the development of the global economy will, I hope, lead to substantial international commitment to finding an acceptable structure to achieve the objectives of the IVSC."

The IVSC is inviting comments on the proposals which must be received by 9 March 2007. A Special Meeting of the IVSC is to be held in San Francisco on 12 April 2007 when member bodies of the IVSC will be asked to approve the restructuring

proposals. If accepted, it is expected that the proposed restructure would come into effect on 1 January 2008.

For further details on the IVSC restructuring proposals please contact the Executive Director, Marianne Tissier on [mtissier@ivsc.org](mailto:mtissier@ivsc.org) or +44 (0) 1442 879306.

## Financial Accounting Standards Board Invitation to Comment

The purpose of the Financial Accounting Standards Board's Invitation to Comment on their proposed Valuation Guidance for Financial Reporting is obtain input from interested parties (such as AIMA) about;

- 1) Is there a need for Valuation Guidance specifically for financial reporting?
- 2) Should Valuation Guidance include conceptual valuation guidance, detailed implementation guidance, or a combination of both.
- 3) What should be the duration of any Valuation-Guidance-Setting activities?
- 4) What level of participation should existing appraisal organizations have in establishing valuation guidance for financial reporting?
- 5) What process should be used for issuing valuation guidance for financial reporting?
- 6) Should the process of Valuation Guidance be on an International or National level?

If you would like to participate in the public roundtable to be held in mid-April, please contact Paul Beswick at [pabeswick@fasb.org](mailto:pabeswick@fasb.org) or 202-956-3453. Responses from interested parties wishing to comment can also submit their comments by email to [director@fasb.org](mailto:director@fasb.org), File Reference No. 1520-100. All comments received by the FASB are considered public information. An electronic copy of their Invitation to Comment is available on the FASB's website through April 15, 2007.

*Editor's note: AIMA adopted a Resolution at the 2004 Annual Meeting supporting the Financial Accounting Standards Board (US).*

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