

STANDARDS AND PROCEDURES OF PROFESSIONAL APPRAISAL ETHICS AND PRACTICE



PUBLISHED BY
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Association of Machinery and Equipment Appraisers

The appraiser shall conduct himself or herself in all respects according to the Code of Ethics and *Standards and Procedures of Professional Appraisal Practice* of the Association of Machinery and Equipment Appraisers (AMEA) Code of Ethics.

AMEA Code of Ethics

This Code of Ethics contains principles to govern each individual appraiser's conduct and practice. It is each member's duty to adhere to the letter and spirit of his or her practice according to this Code of Ethics. Each individual is obligated and agrees to be responsible for his or her conduct as follows:

- A. Conduct his/her appraisal activities in a professional manner, demonstrating the highest level of integrity, which will reflect credit upon himself/herself, and the accrediting organization, the Association of Machinery and Equipment Appraisers.
- B. The appraiser can accept only those assignments that he/she is competent to perform and has the knowledge and ability to perform in a professional manner.
- C. The client must be fully aware of any interest the appraiser has in the machinery or equipment to be appraised. The appraiser must state clearly that his/her opinion of values is unbiased and objective. These opinions must not be prejudiced by past, present, or any future interests in the machinery and equipment appraised. It is a violation of this Code of Ethics to formulate opinions of value that may be subject or self-serving or that are based on any interests that may affect the validity of the appraisal.
- D. Compensation derived from an appraisal shall be based on the nature and scope of the appraisal. The appraiser shall not derive compensation for any appraisal contingent on predetermined values.
- E. The appraiser shall prepare the appraisal report and the opinions expressed in it are his/hers and not that of another party.
- F. All appraisals are to be held in strict confidence between the appraiser and his client, and shall not be furnished to another party unless specifically requested to do so by his client or a court of law.
- G. The appraiser shall conform in all respects to the Code of Ethics and Standards and Procedures of Professional Appraisal Practice of the Association of Machinery and Equipment Appraisers.
- H. Advertising for or soliciting appraisal assignments in a manner, which is false, misleading or exaggerated, is unethical.

INDEMNIFICATION

The Association of Machinery and Equipment Appraisers and its officers have no responsibility for the accuracy of any appraisal, the conduct of any individual member of AMEA. Each member of AMEA agrees to indemnify the association, its officers and personal representatives from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) which AMEA may suffer or incur, or become subject to in connection with or as a result of having accepted the member into AMEA, the actions and conduct of its members or any appraisal provided by its members.

CENSURE, SUSPENSION AND EXPULSION

The Board of Directors of AMEA, in accordance with rules prescribed in its By-Laws or the AMEA Standards and Procedures of Professional Appraisal Ethics and Practice may censure, suspend or expel any member for the following reasons:

- A.) Violation of the AMEA Constitution and By-Laws adopted by the association.
- B.) Violation of the AMEA Standards and Procedures of Professional Appraisal Ethics and Practice.
- C.) Any action which brings discredit upon the association or the industry.

1.) A complaint against any member alleging conduct contrary to or in violation of the AMEA Constitution or By-laws, the AMEA Standards and Procedures of Professional Appraisal Ethics and Practices or alleging conduct which brings discredit upon AMEA, or the appraisal industry, shall be made in writing to the AMEA executive director. No complaint will be officially acknowledged or accorded process under this article unless it is in writing signed by the complainant.

2.) Upon receipt of a complaint which conforms to section 1 above, the AMEA executive director shall immediately refer it to the chairman of the Ethics Committee who shall notify, in writing, the member against whom the complaint has been filed advising the specific violations alleged, the date(s) of the alleged violation(s), and the identity of the person or persons who initiated the complaint. The member involved will be further advised that he or she may submit a written explanation concerning the circumstances of such complaint within 30 days.

3.) The Ethics Committee shall within 10 days determine whether there is a reasonable basis for concluding that violation may have occurred, after consideration of the complaint and the member's explanation (if submitted). If the committee finds that a violation may have occurred, it shall commence an investigation and inform the member in writing that an investigation has been initiated. In the event of such an investigation, the chairman of the committee shall also inquire in writing of the member if he or she desires a hearing before a Board of Inquiry under the procedure established in this article or agrees to submit the complaint to the Ethics Committee without hearing. Said member shall have 10 days from receipt of mailing within which to notify the chairman in writing of his or her decision.

4.) In the event that the member elects to submit the complaint to the Ethics Committee without hearing, said committee shall complete its investigation, prepare a written report including its findings and recommendations, which will be submitted to the president within 60 days of its receipt of the member's waiver of hearing. The president shall mail a copy of the committee's findings and recommendations to the member involved and to the Board of Directors for such action as it shall deem appropriate under the provisions of this article.

5.) In the event that the member elects to appear at a hearing:

a. The president shall convene and impanel within 20 days of such election a Board of Inquiry consisting of three members of AMEA. The membership of such Board shall consist of: the chairman of the AMEA Board, one member selected by the member charged in the complaint, and one member from the Ethics Committee residing in the regional area in which the member resides.

b. The Ethics Committee shall be responsible for the investigation and presentation of all matters pertinent to alleged violations to the Board of Inquiry. The presentation of the committee to the Board shall be made in person at the hearing by the chairman or by a member of the committee designated by the chairman. In addition to receiving the presentation from the Ethics Committee, the Board of Inquiry is authorized, in its discretion, to call any witnesses to testify at the hearing as the Board may deem appropriate. The individual member charged shall be entitled to be present at the hearings with or without counsel and shall be given an opportunity to be heard and to present such evidence, witnesses, or testimony, before the Board of Inquiry as he or she may deem appropriate.

c. The hearing shall be within the state in which the member lives at a place determined by the chairman of the Board keeping in mind the convenience of the parties. The date and time of the hearing shall also be determined by the chairman of the Board who shall notify the member in writing of the time and place of hearing. The hearing shall take place within 40 days from the member's election of a hearing except that the chairman may in his or her discretion grant an extension up to 10 days for good cause shown.

d. The Board of Inquiry shall, within 10 days after the hearing is completed, notify the president in writing of its findings and recommendations.

e. The president shall mail a copy of the findings and recommendations of the Board of Inquiry to the member and to the Board of Directors for such action as it shall deem appropriate under the provisions of this article.

6.) The Board of Directors shall review within 30 days the findings and recommendations of either the Ethics Committee, if a hearing was waived, or the findings and recommendations of the Board of Inquiry if a hearing was held, and shall determine

if the record on the complaint supports a finding of conduct contrary to or in violation of the AMEA Constitution and By-Laws or of its Standards and Procedures of Professional Appraisal Ethics and Practice. If two-thirds of the membership of the Board shall so find, then the Board may, in its discretion, impose any one or more of the following sanctions on the member:

a. A letter from the Board to the member setting forth its suggestions for remedying the violation and/or for future professional conduct of the member.

b. A letter from the Board stating AMEA's censure of the member's conduct.

c. Suspension of the member's membership in AMEA for up to one year as determined by the Board. Suspension is a temporary abrogation of the benefits and privileges inherent in membership. A suspended member is obligated to pay dues. He or she may not hold office or vote in AMEA matters. He or she may attend meetings, seminars and other public functions of AMEA. He or she must indicate during the period of suspension when making reference to his or her affiliation with AMEA that his or her membership is in a state of suspension in connection with an ethics matter.

d. Expulsion of the member from membership in AMEA. The Board shall notify the member in writing of its decision on the complaint and its imposition of sanction, if any, not later than 30 days from its receipt of the findings and recommendations of the Ethics Committee if a hearing was waived, or of the Board of Inquiry, if a hearing was held.

7.) RIGHT OF APPEAL—Within 30 days after the Board of Directors' decision, either party involved in the complaint may request, in writing to the executive director, an appeal directly to the AMEA Board of Directors. At the next scheduled Board of Directors' meeting, following such time when the written request was received, a full hearing will be granted. By written notice 30 days prior to the hearing, all parties involved will be invited to personally appear and present their case(s). After this appeal the decision of the AMEA Board of Directors is final.

8.) Any member of the Board of Directors, or any member of the Ethics Committee shall be excluded from the investigative, deliberation, overview, review and decision making process in any complaint in which such member is a party.

STANDARDS AND PROCEDURES OF PROFESSIONAL APPRAISAL PRACTICE

The Association of Machinery and Equipment Appraisers (AMEA) recognizes the importance of the Uniform Standards of Professional Appraisal Practice (USPAP). All members are required to become familiar with and adhere to the USPAP standards. Within certain segments of the appraisal process, AMEA has additional standards.

The following sets forth the minimum prerequisites for developing an appraisal opinion and writing an appraisal report. All members are expected to adhere to the following:

- A.) *A written engagement letter, contract, or purchase order***, prior to commencement of the appraisal assignment, which clearly describes the appraisal fee, appraisal location, and the assignment's scope and nature.
- B.) *A clearly written report*** furnished to the client containing the following:
- 1. *Confirmation of request***, including name of the individual requesting appraisal report.
 - 2. *A clear understanding of the purpose of the appraisal assignment***, subsequently defining that purpose and the identification of the "***Intended Use***" and "***Intended User***" of the report. (Sample I)
 - 3. *Location of machinery and equipment or assets appraised***, company name or division and address of facility(ies).
 - 4. *Name of the individual who personally inspected the machinery and equipment, the date that the items were viewed and the date the appraisal report was prepared.***
 - 5. *A disclosure to the client of his or her degree of expertise and experience.*** This should include a statement of the appraiser's qualifications including and not limited to:
 - a. Knowledge and training,
 - b. Familiarity with and knowledge of the machinery and equipment,
 - c. Years in business,
 - d. Membership status, i.e. currently a member of AMEA and that he or she is an "Accredited Machinery and Equipment Appraiser" (AEA) or a "Certified Machinery and Equipment Appraiser" (CEA) and any other associations that he or she belongs to, such as a state or local Chambers of Commerce.
 - 6. *A disclosure to the client that determination of value are understood to be the opinion of the appraiser and his or her opinion cannot be interpreted as a guarantee of value.***
 - 7. *A statement of the objectives and methodology of the appraisal including a statement in the report indicating a clear definition of the selected evaluation approach and a justification of his or her opinion of value.*** This justification should

state: support for authoritative opinions of value, the information considered, the appraisal procedures followed, and the reasoning that supports the analyses which may include ‘highest and best use analysis’, opinions, personal observations, analyses, and conclusions and valuations as reported in the appraisal. Where appropriate; state when new and used equipment dealers have been consulted for comparable prices; and when catalogs, trade publications and results of comparative auction sales have been utilized. (Sample II)

8. A statement regarding the type of appraisal presented: summary, self-contained, or restricted use appraisal. Typically an appraisal of machinery and equipment is a summary report but may be any of the three.

9. A statement of any assumptions or limiting factors that may affect the appraisal, preferably grouped together this statement discloses any apparent or known extraordinary conditions and indicate any impact on value. (Sample III)

10. A statement of the Scope of Work: Typically the Scope of Work identifies the Type and Extent of Research and Analysis used to prepare a credible appraisal assignment. (Sample VI)

11a. A statement that fees for the appraisal are not contingent upon values reported.

11b. A statement in the appraisal report indicating the appraiser and/or any officer of his company’s present or future interest in the machinery and equipment. (Code of Ethics Letter C)

12. A clear description of each asset appraised, listing significant value characteristics which may include; but are not limited to, asset type, size, or capacity, serial number, age, accessories, or tooling. Each item should be identified, either with an asset number or machinery number used by the client, or a numerical sequence assigned each asset by the appraiser. This allows the intended user a clear understanding of that, which has been appraised.

13. A value of each item or group of items appraised and a total dollar value of all assets appraised. Where appropriate: a total value for a group of assets with each individual major item listed, or a total value for a group of assets without necessarily listing each individual asset.

14. The effective date: the date at which the value opinion in an appraisal applies, which may or may not be the day of inspection, the date of the market conditions that provide the context for the value opinion. (Explanation I)

15. A signed and sealed certification page. (Sample V)

16. A signed and sealed certificate of value page.

C.) A permanent record must be kept for at least five (5) years after preparation or at

least two (2) years after final disposition or any judicial proceeding in which testimony was given. The permanent record will contain both a copy of the appraisal furnished to the client and any substantiating data used in arriving at the opinion of value.

Sample I Intended Use and Intended User

“This report is intended for use only by (identify the client) and (identify and other known users by name or type), and is intended only for use in (describe the use – i.e. Asset Based Financing, Acquisition of Assets, Merger of Assets, Bankruptcy, Divorce, Estate Planning, Bond Issues, Insurance Purposes, Equitable Distribution in conjunction with business planning purposes, or business decisions, etc.). Use of this report by others is not intended by the appraiser, nor is the report intended for any other use unless express written consent is further granted.”

Sample II Evaluation Approach

The cost, income and market approaches to value have been considered for this appraisal and has either been utilized where necessary or deemed inappropriate for the value conclusions found therein.

Sample III Recommended Sample Statement of Conditions

All facts and data set forth in this report are based upon an estimate of value only and are true and accurate to the best of the appraiser’s knowledge and belief.

No investigation has been made into the title to the property and all items as listed are assumed to be the property of the Subject Company.

No consideration has been given to liens or encumbrances, which may be against the property other than those discussed in this report.

I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest or bias with respect to the parties involved.

The appraised property has been personally inspected unless otherwise stated.

This appraisal has been made in accordance with accepted appraisal practices in accordance with the Association of Machinery and Equipment Appraisers *Standards and Procedures of Professional Appraisal Ethics and Practice* and the *Uniform Standards of Professional Appraisal Practice* and reflects the best judgment of the appraiser. When appropriate, new and used equipment dealers have been consulted for comparable prices, and catalogs, trade publications and results of auction sales comparable have also been utilized.

Information provided by others has been assumed to be correct for the purposes of this report and no responsibility is taken for the accuracy of it.

Since conclusions by the appraiser are based upon judgments, isolation of any single element as the sole basis of comparison to the whole appraisal may be inaccurate.

The fees for this appraisal are not contingent upon values reported.

Consideration for possible environmental hazards from any source goes beyond the scope of this appraisal. It is assumed that there are no hidden or unseen conditions of the equipment, which would render it more or less valuable.

Other limitations or assumptions, if any, are clearly defined and individually set out at that point relating to the subject.

The appraiser is not required to give testimony, be present in court of law, or appear before any commission or board by reason of this appraisal, unless prior arrangements have been made.

Sample V

Certification page

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, unbiased professional analysis, opinions and conclusions.

I have no (or the specified) present or prospective interest in the property that is the subject of this report and I have no (or the specified) personal interest or bias with respect to the parties involved.

My compensation is not contingent on an action or event resulting from the analysis, opinions or conclusions in, or the use of, this report.

My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Association of Machinery and Equipment Appraisers *Standards and Procedures of Professional Appraisal Ethics and Practice* and the *Uniform Standards of Professional Appraisal Practice*.

I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one-person signs this report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised machinery and equipment.)

No one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)

Sample VI

Scope of Work

The Scope of Work addresses the Type and Extent of Research and Analysis utilized to develop an Opinion of Value. The Data Collected in the Course of Research and Analysis may include, but is not limited to: Market Data from Used Equipment Dealers that Sell Comparable Equipment; Conversations with New Equipment Manufacturer's; Consultation with Auctioneers, Liquidators and Equipment Brokers of Comparable Equipment; In-House Data Bases; Industry Data Bases; Trade Journals and Industry Periodicals.

Explanation I

Effective Date

An appraiser is asked to perform an appraisal for the estate of an individual whom has passed away. The effective date of the appraisal will be the date of his death, neither necessarily the date of the inspection nor the date the appraisal is completed.

When completing an appraisal report that has an effective date in a different economic time period than the present, you must use only the information that was available at that time. For example, the values for an appraisal with the effective date for the year 1999 will be significantly different than the values of today.

Leasing companies require appraisals to have an effective date some time in the future as they have to determine the value of the property at the end of the lease.

Definition of Values

Market Value (Fair Market Value)

A professional opinion of the estimated most probable price expressed in terms of currency to be realized for property in an exchange between a willing buyer and a willing seller, with equity to both, neither being under any compulsion to buy or sell, and both parties fully aware of all relevant facts as of the effective date of this appraisal report.

Market Value - In Place

A professional opinion of the estimated most probable price expressed in terms of currency to be realized for property in an exchange between a willing buyer and a willing seller, with equity to both, neither being under any compulsion to buy or sell, and both parties fully aware of all relevant facts, as installed for intended utilization, as of the effective date of this appraisal report.

Forced Liquidation Value (Auction)

A professional opinion of the estimated most probable price expressed in terms of currency which could typically be realized at a properly advertised and conducted public auction sale, held under forced sale conditions and under present day economic trends, as of the effective date of the appraisal report. Conclusions taken into consideration are physical location, difficulty of removal, physical condition, adaptability, specialization, marketability, overall appearance and psychological appeal. Further, the ability of the asset group to draw sufficient prospective buyers to insure competitive offers is considered. All assets are to be sold on a piecemeal basis 'as is' with purchasers responsible for removal of assets at their own risk and expense. Any deletions or additions to the total assets appraised could change the psychological and/or monetary appeal necessary to gain the price indicated.

Orderly Liquidation Value

A professional opinion of the estimated most probable price expressed in terms of currency which the subject equipment could typically realize at a privately negotiated sale, properly advertised and professionally managed, by a seller obligated to sell over an extended period of time, usually within six to twelve months, as of the effective date of the appraisal report. Further, the ability of the asset group to draw sufficient prospective buyers to insure competitive offers is considered. All assets are to be sold on a piecemeal basis 'as is' with purchasers responsible for removal of assets at their own risk and expense. Any deletions or additions to the total assets appraised could change the psychological and/or monetary appeal necessary to gain the value indicated.

New Replacement Cost Value

A professional opinion of the cost expressed in terms of currency, F.O.B. the manufacturer's plant, to purchase a new item of like quality and specifications. If such an item is unavailable, the appraiser has used his or her best judgment in estimating a value as of the effective date of the appraisal.

Desktop Opinion

A professional opinion of the appropriately defined value, expressed in terms of currency to be realized by the sale of assets, in which the opinion is generated from lists and/or other informational materials supplied to the appraiser and evaluated without the benefit of an actual on site inspection. This opinion is not recommended for use in credit decisions. A desktop opinion should be used to determine the need for an appraisal or the scope of an appraisal.

Approaches to Value

Market Approach

One of the three recognized approaches used in appraisal analysis, this approach involves the collection of market data pertaining to the subject assets being appraised. This approach is also known as the 'Comparison Sales Approach'. The primary intent of the market approach is to determine the desirability of the assets and recent sales or offerings of similar assets currently on the market in order to arrive at an indication of the most probable selling price for the assets being appraised. If the comparable sales are not exactly similar to the asset being appraised, adjustments must be made to bring them as closely in line as possible with the subject property.

Cost Approach

One of the three recognized approaches used in appraisal analysis, this approach is based on the proposition that the informed purchaser would pay no more for a property than the cost of producing a substitute property with the same utility as the subject property. It considers that the maximum value of a property to a knowledgeable buyer would be the amount currently required to construct or purchase a new asset of equal utility. When subject asset is not new, the current cost must be adjusted for all forms of depreciation as of the effective date of the appraisal.

Income Approach

One of the three recognized approaches used in appraisal analysis, this approach considers value in relation to the present worth of future benefits derived from ownership and is usually measured through the capitalization of a specific level of income. This approach is the least common approach used in the valuation of machinery and equipment since it is difficult to isolate income attributable to such assets.

Depreciation

Defined as the actual loss in value or worth of a property from all causes including those resulting from physical deterioration, functional obsolescence, and economic obsolescence.

PHYSICAL DETERIORATION

A form of depreciation where the loss in value or usefulness of an asset is attributable solely to physical causes such as wear and tear and exposure to the elements.

FUNCTIONAL OBSOLESCENCE

A form of depreciation where the loss in value is due to factors inherent in the property itself and due to changes in design, or process resulting in inadequacy, over capacity, excess construction, lack of functional utility, or excess operating costs.

ECONOMIC OBSOLESCENCE

A form of depreciation or loss in value, caused by unfavorable external conditions. These can include such things as the economics of the industry, availability of financing, loss of material and labor sources, passage of new legislation, and changes in ordinances.

XYZ Machinery Co.
451 Someplace Way
Any State

APPRAISAL

STANDARD TOOL & DIE COMPANY
12345 NORTH STREET
MOTOWN, MI 40000

Prepared by:
(Date)
(Effective Date)

XYZ Machinery Co.
451 Someplace Way
Any State

INDEX

COVER LETTER *including Scope of Work*

CERTIFICATE OF VALUES

CERTIFICATION (Required in every Appraisal)

DEFINITION OF VALUES

STATEMENT OF CONDITIONS

APPRAISAL

QUALIFICATIONS

APPENDIX

XYZ Machinery Co.
451 Someplace Way
Any State

Form For Appraisers Working Through Firms

(DATE)

Ms. Jane Smith
President
Standard Tool & Die Co.
12345 North Street
Motown, MI 40000

RE: Appraisal of Machinery and Equipment

Dear Ms. Smith:

Pursuant to your request, I, as an AMEA (Accredited or Certified) Appraiser of XYZ Machinery Co., have prepared an appraisal of your North Street facility, a copy of which is enclosed. This report is intended for use only by (identify the client) and (identify any other known users by name or type), and is intended only for use in (describe the use - i.e. Asset Based Financing, Acquisition of Assets, Merger of Assets, Bankruptcy, Divorce, Estate Planning, Bond Issues, Insurance Purposes, Equitable Distribution in conjunction with business planning purposes or business decisions, etc.). Use of this report by others is not intended by the appraiser, nor is the report intended for any other use unless express written consent is further granted.

On (date of viewing machinery), I personally viewed the machinery and equipment with the assistance of Mr. Nelson of my company. Following our inspection, I supervised an investigation into the market conditions for this type of equipment in order to prepare this impartial report. (If any other appraiser/ appraisal firm was consulted, insert the following: I also consulted with Mr. White of A-1 Co. for his opinion, and he (was/was not) compensated for these services.)

The cost, income and market approaches to value have been considered for this appraisal and have either been utilized where necessary or deemed inappropriate for the value conclusions found therein. The enclosed appraisal is a (*summary, self-contained, or restricted use*) appraisal.

The Scope of Work addresses the Type and Extent of Research and Analysis utilized to develop an Opinion of Value. The Data Collected in the Course of Research and Analysis may include, but is not limited to: Market Data from Used Equipment Dealers that Sell Comparable Equipment; Conversations with New Equipment Manufacturer's; Consultation with Auctioneers, Liquidators and Equipment Brokers of Comparable Equipment; In-House Data Bases; Industry Data Bases; Trade Journals and Industry Periodicals.

After a thorough analysis of the machinery and equipment and review of the information made available to me, it is my opinion that as of (effective date of appraisal) the machinery and equipment has the (*insert Value used, i.e. Market Value - Fair Market or In Place, Forced Liquidation Value (Auction), Orderly Liquidation Value or New Replacement Cost Value*) shown on the certificates that I prepared (date appraisal prepared).

As an agent of XYZ Machinery Co., I certify that neither I nor XYZ Machinery Co. or any of its employees have any present or future interest in the appraised property. (Insert applicable fee state-

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ment: No fees were charged for this appraisal, nor were any undisposed fees, commissions, or other compensation received. - or - The fees charged for this appraisal were not contingent on the values reported nor were any undisclosed fees, commissions, or other compensation received.)

Respectfully submitted,

James Jones
President

XYZ Machinery Co.
451 Someplace Way
Any State

Form For Appraisers Working As Sole Practitioners

(DATE)

Ms. Jane Smith
President
Standard Tool & Die Co.
12345 North Street
Motown, MI 40000

RE: Appraisal of Machinery and Equipment

Dear Ms. Smith:

Pursuant to your request, I, as an AMEA (Accredited or Certified) Appraiser, have prepared an appraisal of your North Street facility, a copy of which is enclosed. This report is intended for use only by (identify the client) and (identify any other known users by name or type), and is intended only for use in (describe the use - i.e. Asset Based Financing, Acquisition of Assets, Merger of Assets, Bankruptcy, Divorce, Estate Planning, Bond Issues, Insurance Purposes, Equitable Distribution in conjunction with business planning purposes or business decisions, etc.). Use of this report by others is not intended by the appraiser, nor is the report intended for any other use unless express written consent is further granted.

On (date of viewing machinery), I personally viewed the machinery and equipment. Following my inspection, I conducted an investigation into the market conditions for this type of equipment in order to prepare this impartial report. (If any other appraiser/appraisal firm was consulted, insert the following: I also consulted with Mr. White of A-1 Co. for his opinion, and he (was/was not) compensated for these services.)

The cost, income and market approaches to value have been considered for this appraisal and have either been utilized where necessary or deemed inappropriate for the value conclusions found therein. The enclosed appraisal is a (*summary, self-contained, or restricted use*) appraisal.

The Scope of Work addresses the Type and Extent of Research and Analysis utilized to develop an Opinion of Value. The Data Collected in the Course of Research and Analysis may include, but is not limited to: Market Data from Used Equipment Dealers that Sell Comparable Equipment; Conversations with New Equipment Manufacturer's; Consultation with Auctioneers, Liquidators and Equipment Brokers of Comparable Equipment; In-House Data Bases; Industry Data Bases; Trade Journals and Industry Periodicals.

After a thorough analysis of the machinery and equipment and review of the information made available to me, it is my opinion that as of (effective date of appraisal) the machinery and equipment has the (*insert Value used, i.e. Market Value - Fair Market or In Place, Forced Liquidation Value (Auction), Orderly Liquidation Value or New Replacement Cost Value*) shown on the certificates that I prepared (date appraisal prepared).

Furthermore, I certify that I do not have any present or future interest in the appraised property.

(Insert applicable fee statement: No fees were charged for this appraisal, nor were any undisposed fees, commissions, or other compensation received. - or - The fees charged for this appraisal were not contingent on the values reported nor were any undisclosed fees, commissions, or other compensation received.)

Respectfully submitted,

James Jones
President

Definition of Values

Include only the relevant definition in your appraisal.

Market Value (Fair Market Value)

A professional opinion of the estimated most probable price expressed in terms of currency to be realized for property in an exchange between a willing buyer and a willing seller, with equity to both, neither being under any compulsion to buy or sell, and both parties fully aware of all relevant facts as of the effective date of this appraisal report.

Market Value - In Place

A professional opinion of the estimated most probable price expressed in terms of currency to be realized for property in an exchange between a willing buyer and a willing seller, with equity to both, neither being under any compulsion to buy or sell, and both parties fully aware of all relevant facts, as installed for intended utilization, as of the effective date of this appraisal report.

Forced Liquidation Value (Auction)

A professional opinion of the estimated most probable price expressed in terms of currency which could typically be realized at a properly advertised and conducted public auction sale, held under forced sale conditions and under present day economic trends, as of the effective date of the appraisal report. Conclusions taken into consideration are physical location, difficulty of removal, physical condition, adaptability, specialization, marketability, overall appearance and psychological appeal. Further, the ability of the asset group to draw sufficient prospective buyers to insure competitive offers is considered. All assets are to be sold on a piecemeal basis 'as is' with purchasers responsible for removal of assets at their own risk and expense. Any deletions or additions to the total assets appraised could change the psychological and or monetary appeal necessary to gain the price indicated.

Orderly Liquidation Value

A professional opinion of the estimated most probable price expressed in terms of currency which the subject equipment could typically realize at a privately negotiated sale, properly advertised and professionally managed, by a seller obligated to sell over an extended period of time, usually within six to twelve months, as of the effective date of the appraisal. Further, the ability of the asset group to draw sufficient prospective buyers to insure competitive offers is considered. All assets are to be sold on a piecemeal basis 'as is' with purchasers responsible for removal of assets at their own risk and expense. Any deletions or additions to the total assets appraised could change the psychological and/or monetary appeal necessary to gain the price indicated.

New Replacement Cost Value

A professional opinion of the cost expressed in terms of currency, F.O.B. the manufacturer's plant, to purchase a new item of like quality and specifications. If such an item is unavailable, the appraiser has used his or her best judgment in estimating a value as of the effective date of the appraisal.

Desktop Opinion

A professional opinion of the appropriately defined value, expressed in terms of currency to be realized by the sale of assets, in which the opinion is generated from lists and/or other informational materials supplied to the appraiser and evaluated without the benefit of an actual on site inspection. This opinion is not recommended for use in credit decisions. A desktop opinion should be used to determine the need for an appraisal or the scope of an appraisal.

(Entire page should be included in every appraisal)

Approaches to Value

Market Approach

One of the three recognized approaches used in appraisal analysis, this approach involves the collection of market data pertaining to the subject assets being appraised. This approach is also known as the 'Comparison Sales Approach'. The primary intent of the market approach is to determine the desirability of the assets and recent sales or offerings of similar assets currently on the market in order to arrive at an indication of the most probable selling price for the assets being appraised. If the comparable sales are not exactly similar to the asset being appraised, adjustments must be made to bring them as closely in line as possible with the subject property.

Cost Approach

One of the three recognized approaches used in appraisal analysis, this approach is based on the proposition that the informed purchaser would pay no more for a property than the cost of producing a substitute property with the same utility as the subject property. It considers that the maximum value of a property to a knowledgeable buyer would be the amount currently required to construct or purchase a new asset of equal utility. When subject asset is not new, the current cost must be adjusted for all forms of depreciation as of the effective date of the appraisal.

Income Approach

One of the three recognized approaches used in appraisal analysis, this approach considers value in relation to the present worth of future benefits derived from ownership and is usually measured through the capitalization of a specific level of income. This approach is the least common approach used in the valuation of machinery and equipment since it is difficult to isolate income attributable to such assets.

Depreciation

Defined as the actual loss in value or worth of a property from all causes including those resulting from physical deterioration, functional obsolescence, and economic obsolescence.

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A form of depreciation where the loss in value or usefulness of an asset is attributable solely to physical causes such as wear and tear and exposure to the elements.

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A form of depreciation where the loss in value is due to factors inherent in the property itself and due to changes in design, or process resulting in inadequacy, over capacity, excess construction, lack of functional utility, or excess operating costs.

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A form of depreciation or loss in value, caused by unfavorable external conditions. These can include such things as the economics of the industry, availability of financing, loss of material and labor sources, passage of new legislation, and changes in ordinances.

XYZ Machinery Co.
451 Someplace Way
Any State
Statement of Conditions

All facts and data set forth in this report are based upon an estimate of value only and are true and accurate to the best of the appraiser's knowledge and belief.

No investigation has been made into the title to the property and all items listed are assumed to be the property of the subject company.

No consideration has been given to liens or encumbrances which may be against the property other than those discussed in this report.

I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest or bias with respect to the parties involved.

The appraised property has been personally inspected unless otherwise stated.

This appraisal has been made in accordance with accepted appraisal practices and in accordance with the Association of Machinery and Equipment Appraisers *Standards and Procedures of Professional Appraisal Ethics and Practice* and the *Uniform Standards of Professional Appraisal Practice* and reflects the best judgement of the appraiser. When appropriate, new and used equipment dealers have been consulted for comparable prices; and catalogs, trade publications and comparative results of auction sales have been utilized.

Information provided by others has been assumed to be correct for the purposes of this report and no responsibility is taken for the accuracy of same.

Since conclusions by the appraiser are based upon judgements, isolation of any single element as the sole basis of comparison to the whole appraisal may be inaccurate.

The fees for this appraisal are not contingent upon values reported.

Consideration for possible environmental hazards from any source goes beyond the scope of this appraisal.

It is assumed that there are no hidden or unapparent conditions of the equipment which would render it more or less valuable.

Other limitations or assumptions, if any, are clearly defined and individually set out at that point relating to the subject.

The appraiser is not required to give testimony, be present in any court of law, or appear before any commission or board by reason of this appraisal, unless prior arrangements have been made.

(If applicable, add statements as to any other apparent or known extraordinary conditions, and their impact on value.)

XYZMachineryCo.
451 Someplace Way
AnyState

CERTIFICATION

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, unbiased professional analysis, opinions and conclusions.

I have no (or the specified) present or prospective interest in the property that is the subject of this report and I have no (or the specified) personal interest or bias with respect to the parties involved.

My compensation is not contingent on an action or event resulting from the analysis, opinions or conclusions in, or the use of, this report.

My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Association of Machinery and Equipment Appraisers *Standards and Procedures of Professional Appraisal Ethics and Practice* and the *Uniform Standards of Professional Appraisal Practice*.

I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one person signs this report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised machinery and equipment.)

No one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)

Signature

XYZ Machinery Co.
451 Someplace Way
Any State

DOES
- Certify -

That this is our Opinion of Value of the Property of

STANDARD TOOL & DIE COMPANY
12345 North Street
Motown, MI 40000

As of the Effective Date given in this Certificate of Value
\$ _____

ON THE BASIS OF ITS {insert Value used} APPRAISAL

Distribution Of Value Are As Follows:

<u>DESCRIPTION</u>	<u>PAGES</u>	<i>{insert Value used}</i>
MACHINERY & EQUIPMENT		\$
SHOP EQUIPMENT		\$
MATERIAL HANDLING		\$
PRECISION & INSPECTION		\$
MACHINE ACCESSORIES		\$
(Other categories)		
Office		
Computers		
Business Machines		
Vehicles		
TOTAL		\$

Date: (Date Of Appraisal)

Account NO: 12345

BY: _____

QUALIFICATIONS

EXPERIENCE

EDUCATION

MEMBERSHIPS

XYZ Machinery Co.
451 Someplace Way
Any State

Form For Desktop Opinion of Value

(DATE)

Ms. Jane Smith
President
Standard Tool & Die Co.
12345 North Street
Motown, MI 40000

RE: Desktop Opinion of Machinery and Equipment

Dear Ms. Smith:

Pursuant to your request, as an AMEA (Accredited or Certified) Appraiser of XYZ Machinery Co., on (date opinion prepared), I prepared this desktop opinion generated from an equipment list (and/or past appraisal) that you supplied to me. The reviewed property has not been personally viewed unless otherwise stated. (If any other appraiser/appraisal firm was consulted, insert the following: I also consulted with Mr. White of A-1 Co. for his opinion, and he (was/was not) compensated for these services.)

A Desktop Opinion is a professional opinion of the appropriately defined value, expressed in terms of currency to be realized by the sale of equipment, in which the opinion is generated from lists and/or other informational materials supplied to the appraiser and evaluated without the benefit of an actual on site inspection. This opinion is not an appraisal and should not be used as an appraisal and is not recommended for use in credit decisions. A desktop opinion is used to determine the need for an appraisal or the scope of an appraisal.

After a thorough analysis of the machinery and equipment list and review of the information made available to me, it is my opinion that the *{insert appropriate Value}* as defined below is:

{Insert Definition of Value used}

{insert Value used} \$ _____ .00

Upon a formal inspection, figures herein contained are subject to change. No investigation has been made into title to the property and all items described are assumed to be the property of the subject company.

This opinion is based upon the belief that there are no extraordinary conditions which would have an impact on the value.

No allowance has been made for possible liens or encumbrances which may be against the property.

Consideration for possible environmental hazards from any source is beyond the scope of this appraisal.

Since the conclusion and/or opinions of the writer of this letter are based upon judgments, isolation of any single element as the sole basis of comparison to the whole letter may be inaccurate.

As an agent of XYZ Machinery Co., I certify that this opinion is unbiased and that neither I nor XYZ Machinery Co. or any of its employees have any present or future interest in the subject property. The fees charged for this opinion were not contingent on the values reported nor were any undisclosed fees, commissions, or other compensation received.

Respectfully submitted,

James Jones
President

Notes

