

AMEA APPRAISER

Information and education dedicated to appraisal excellence

Winter 2005

Board of Directors

President

Nathan J. Arnold, CEA
Arnold Equipment Co.

First Vice President

Randy R. Stevens, CEA
Lee Stevens Machinery, Inc.

Second Vice President

John S. Greene, CEA
F L Sales Inc.

Treasurer

Charles J. Winternitz, CEA
Winternitz, Inc.

Immediate Past President

Richard H. Levy, CEA
Machinery and Appraisal Company, LLC

Presidential Appointees

John Gabalis, CEA
Hallmark Co.

Craig C. Hilpipre, CEA
Hilpipre Auction Co.

Directors

Richard H. Bass, CEA
Rudolf Bass, Inc.

Jean A. Harris, CEA
Harris Machine Tools, Inc.

Joseph Hodkin, CEA
The Daley-Hodkin Group

Jack Mendenhall, CEA
Used Machinery Sales, Inc.

R. F. "Casey" Mulqueen, CEA
Strategic Solutions for Industry

Jean Novotny, CEA
Novotny Machinery

James Zvonar, CEA
Industrial Machinery Corp.

Voluntary Board Member

Ken Regal, CEA
Regal Equipment Inc.

Past Presidents

1983-84 Norman Adler, CEA

1984-86 Daniel J. Lengyel

1986-88 Roland R. Grenier, AEA

1988-91 Fred S. Mervis, CEA

1991-93 Michael D. Rosen, CEA

1993-95 David N. Lang, CEA *

1995-97 James L. Heppner, CEA *

1997-99 Ronald J. Koster, Sr., CEA

1999-01 John Gabalis, CEA

2001-03 Richard H. Levy, CEA

*Deceased

The AMEA Appraisers' Forum: A Successful Endeavor

“Great program.” “We should do this once a year” “The best AMEA has produced so far!” were just some of the reviews we received following the AMEA’s first ever *AMEA Appraisers’ Forum*, held in Detroit, Michigan, this past November. The event played to a sell-out crowd and, by all accounts, was a resounding success! Nearly one-third of AMEA’s membership participated in lively discussions on everything from working with lenders, to economic trends, to reviewing appraisals, to expert witness skills. Those in attendance earned 12 continuing education credits for their participation.

A key element to the success of this event came from the support of our program sponsors. The AMEA greatly appreciates the sponsorship support we received from Appraisals for Industry Division Strategic Solutions for Industry; Arnold Equipment Co. / Arnold Appraisal LLC; Certified Machinery Appraisal Division Lee Stevens Machinery Inc.; F L Sales Inc.; Great American Group; Hilco Appraisal Services; Novotny Machinery; and, TCL Asset Group Inc. These sponsors’ support allowed the AMEA to keep the registration fee low and offer a variety of programs.

Attendees were welcomed to the *Forum* by the AMEA President, Nathan J. Arnold, CEA, the MDNA President, John Stencil, III, and the *AMEA Appraisers’ Forum* Committee Chair, Jean Novotny, CEA. The keynote speaker, Dave Evans, ASA, who is the Chief Appraisal Officer for Wells Fargo Business Credit, shared his view from the banker’s side of the table with the appraisers present. The remainder of the first day was filled with news of economic trends from industries such as construction, CNC tools, foundry and woodworking machinery, which spilled over to an open-mic discussion of the industry after dinner.

Continued on page 2



A full house at the AMEA Appraisers' Forum in Detroit, Michigan

Continued from page 1

Day two began with an in-depth discussion on valuations without a comparable market with Alan Iannacito, CEA. This was followed by Micheal Lohemeier, ASA, who spoke on valuation services across the disciplines. The audience then had the opportunity to ask the AMEA Appraisal Review Committee detailed questions on the intricacies of appraisal writing and appraisal review. Participants picked up skills on becoming an expert witness from the program presented by W. I. "Bill" Winsten, JD, a partner with Honigman, Miller, Schwartz and Cohn LLP, in Michigan. The day was capped off with ideas on marketing an appraisal business and a sharing of experiences in liquidation appraisals and sales.

"All in all, the AMEA Continuing Education Committee is extremely pleased by the outcome of the *AMEA Appraisers' Forum*," said John S. Greene, CEA, Chair of the AMEA Continuing Education Committee. "The Committee is currently drafting a schedule of CE programs for the coming years to assist the AMEA members in meeting their continuing education requirements." ●



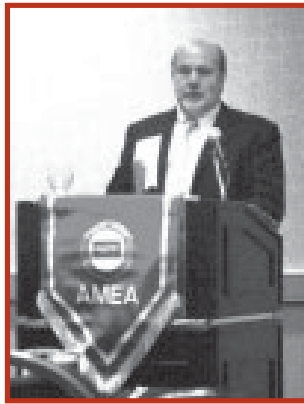
Forum attendees Curt Roskelley, CEA, Jeff Peters, Joseph Herz, CEA, and Justin Peters enjoy some networking time



Nathan J. Arnold, CEA welcomes attendees



Jean Novotny, CEA, goes over the appraisal review process



John S. Greene, CEA, reviews foundry economic trends



Richard H. Bass, CEA, gives his insight into woodworking trends



Craig Hilpipre, CEA, fires up the crowd during the open-mic discussion

AMEA Board Member Jack Mendenhall, CEA, and First Vice President Randy Stevens, CEA, catch up on weekend events



Nate's Notes...

The Appraisal Foundation is a non-profit educational organization that was established in 1987 to foster professionalism in valuation through the establishment and promotion of professional appraisal standards and appraiser qualifications. The Foundation accomplishes its mission through the work of two independent boards, the Appraiser Qualifications Board (AQB) and The Appraisal Standards Board (ASB). The AQB establishes the minimum education, experience and examination criteria for appraisers and the ASB promulgates the generally accepted standards for the valuation profession. The ASB develops, interprets and amends the Uniform Standard of Professional Appraisal Practice (USPAP).

The Appraisal Foundation Advisory Council (TAFAC) offers recommendations on the work of the AQB, the ASB and the Board of Trustees of The Appraisal Foundation. Currently, there are 55 member organizations representing appraisers, users of appraisal services and government agencies. Our organization, the AMEA, is a member of this organization. I have represented the AMEA on this Council for the past four years. I am currently the Chairman of the Emerging Issues Committee.

I recently attended meetings of TAFAC and the ASB in Washington, DC. During this past year, I introduced a proposal to TAFAC to look into a revision of USPAP in relationship to Machinery and Equipment Appraisers. At this meeting, I addressed the ASB with a request to form a Task Force to review Standards 7 and 8 of USPAP which deal specifically with Personal Property Appraisers. I am a strong proponent that our AMEA members will benefit from a revision of USPAP. At the present time, most of the USPAP instructors concentrate on the Real Property Provisions in USPAP and are not aware that most of our members are not at all involved in Real Property Appraisals. Our membership is eager to learn as much as possible about our specialty in the appraisal industry. It is my goal to help promote a USPAP Course that retains the spirit of USPAP, its standards, etc., while being interesting and helpful to machinery and equipment appraisers. Time elements should also be investigated and discussed.

Machinery and equipment appraisers, as well as other personal property appraisers, comprise only a small percentage of the field of appraisal work which is dominated by real property appraisers. Business Valuation (BV) Appraisers also account for a small comparative group. Business Valuations matters are currently being addressed by the ASB through a Task Force. The reason that BV is being looked at is because the BV representatives have asked for changes. As of this time, Machinery and Equipment representatives have been fairly quiet and observant and have not instituted challenges to existing systems. I firmly believe that the time is now proper for changes and improvements. That's the reason why I am trying to make our position be heard by TAFAC and the ASB.

I would appreciate hearing from our membership about these matters. Please feel free to call me, personally, toll free at **888-252-NATE** or by e-mail at **nate@arnoldeqp.com**. I will be happy to listen to your concerns and ideas. I look forward to hearing from everyone who may have a concern and/or an idea.

Thank you,

Nate

Nathan J. Arnold, CEA
AMEA President



*Nathan J. Arnold, CEA
AMEA President*



Member Information Update

Please note the changes to the following AMEA members' contact information:

Mr. Nathan J. Arnold, CEA

new address and phone:

24400 Highpoint Road, Suite 5
Beachwood, OH 44122
Phone: +1 216 360 9600
+1 800 252 6283

Mr. Jon Arnold, CEA

new address:

24400 Highpoint Road, Suite 5
Beachwood, OH 44122

Mr. Tom J. Dieveney, CEA

new address:

2744 West 4th Avenue
Denver, CO 80219

Mr. Edward "Ned" O. Flick, CEA

new address:

P.O. Box 3245
Allentown, PA 18106

Mr. John Frain, AEA

new address:

9377 Grand Avenue
Franklin Park, IL 60131

Mr. John Gabalis, CEA

new address, fax, and e-mail:

2115 Livernois, Suite 100
Troy, MI 48083
Fax: +1 248 244 0338
hallco@sbcglobal.net

Mr. Jean A. Harris, CEA

new address, phone, and fax:

14309 Sommermeyer
Houston, TX 77041
Phone: +1 713 462 5800
+1 877 462 5800
Fax: +1 713 462 7775

Mr. Jean Harris, Jr., CEA

new address, phone, and fax:

14309 Sommermeyer
Houston, TX 77041
Phone: +1 713 462 5800
+1 877 462 5800
Fax: +1 713 462 7775

Ms. Jeannine Harris, CEA

new address, phone, and fax:

14309 Sommermeyer
Houston, TX 77041
Phone: +1 713 462 5800
+1 877 462 5800
Fax: +1 713 462 7775

Mr. Steven D. Krom, CEA

new address:

4221 23rd Avenue West #216
Seattle, WA 98199

Mr. Taso Sofikitis, CEA

new address:

21700 Northwestern Highway,
Suite 830
Southfield, MI 48075

Mr. Curt Roskelley, CEA

new e-mail:

curt@roskelley.com

Mr. Dan R. Strand, CEA

*new company, address, phone,
fax and e-mail:*

Strand Industrial Machinery
Company LLC
1985 Hamel Road
Hamel, MN 55340
Phone: +1 763 478 0306
Fax: +1 763 478 0307
sales@simcollc.com

Mr. Wally Wasik, CEA

new address, phone, and fax:

14309 Sommermeyer
Houston, TX 77041
Phone: +1 713 462 5800
+1 877 462 5800
Fax: +1 713 462 7775

AMEA APPRAISER

The *AMEA Appraiser* is published by

the **Association of Machinery and
Equipment Appraisers**

315 S. Patrick Street
Alexandria, VA 22314-3501 USA

Phone: +1 703 836 7900

or +1 800 537 8629

Fax: +1 703 836 9303

E-mail: amea@amea.org

Internet: www.amea.org

Lorna Frazier-Lindsey
Director, Member Services
Lorna@amea.org



*The mission of the AMEA is to
certify and accredit the most
qualified capital equipment
appraisers in the appraisal
industry through promotion of
standards of professional
practice, ethical conduct, and
market-based experience.*

*All of our members are listed on
our web site at www.amea.org*

*No portion of the AMEA Appraiser
may be reproduced without the
express permission of the AMEA.*

Lender's Column

Structural Steel Fabrication Industry Shrinking

Skip Bradley, CEA

Despite record low mortgage rates and healthy residential construction, the structural steel fabricators who manufacture the steel frames of industrial, office, and municipal buildings are facing tough times. A great many have closed and their assets have been auctioned in the past 2-1/2 years. Asset values for the type of equipment being sold are depressed. The problem is that the core assets used by the industry tend to be specific to this industry (bad times mean fewer buyers) and auction after auction features the same manufacturer's equipment, of the same model number, and the same age! The plant equipment lists we are asked to appraise or make an offer to auction are the same repetitious collections of Peddinghaus, Trennjaeger-Promacut, HE & M, W.A. Whitney and other industry-accepted equipment. The appraiser must use caution when researching comparable results. The general industry trend requires comparables be considered and reduced for present use.

Equipment age and condition are relevant like never before in our industry. Newer technology in the industry is also playing a role in the reduced value of older assets. Newer CNC Beam Drilling lines are available with touch-screen controls, automated tool changing, and larger capacities, all at lower prices. The ability to be versatile, fast-responding, quick programming, and able to efficiently flow material through the fabricating process is paramount in today's business conditions. In-plant material flow and efficient processing issues have made many older plants no longer competitive. Foreign fabricators with vertically integrated operations are able to efficiently process their cheaper materials with even cheaper labor and transport it to the U.S. market. Despite distance disadvantages, they are able to price their work very competitively.

Consider your customer and clients' assets and operations with caution and with an eye toward their own efficiencies (or lack thereof) when making financing decisions. ●



*Roger E. "Skip" Bradley, Jr., CEA
Bradley Machinery & Valuation LLC*

LOCATOR® Means Business!



Advertise Where Smart Buyers Find Their Used Machines!

Get The Most for Your Money

- ❖ Regularly reach 200,000 prospective customers
- ❖ Run your banner on the industry's best website – *LocatorOnline.com*
- ❖ Rent mailing lists of names and addresses of manufacturers and used machinery dealers

Contact Mass Farzan

Phone: +1 703 836 9700 or 800 537 1446
Email: Mass.Farzan@LocatorOnline.com

LocatorOnline.com

The Cost Approach to Value

Jack Landesberg, CEA, Asset Recovery & Valuation

The cost approach is one of three generally accepted approaches to value. All too many times, those of us coming out of the used equipment business will comment that it doesn't matter what a (used) machine costs new, what matters is what it sells for. New costs, however, play an important part in the appraisal process.

For example, equipment leasing transactions include a determination of the future value of the equipment. This is normally at three, five and seven year's time; although lease terms may extend beyond seven years. The projected, residual values are based on a percentage of the original cost, stated in terms of constant dollars that normally exclude the influences of future inflation or deflation.

Fair Market Value In-Use often times involves the determination of new cost as a basis of calculating the cost of installation as well as value depreciation. Many times, the most accurate means of determining installation cost of certain types of equipment is as a percentage of equipment cost.

Certain classifications of appraisals require the application of the cost approach, obviously insurance appraisals as well as many property tax appraisals.

Employing the cost approach often involves working with cost information supplied by the client. This information may be available in the form of original invoices, project summaries or accounting depreciation schedules. Care obviously should be taken in the use of historical costs.

The traditional cost approach involves the application of a cost index to adjust historical cost to current cost new. Cost trends can be obtained from different sources such as Marshall & Swift. Reproduction Cost New results from the application of a cost trend to a historical cost to obtain the theoretical cost new of equipment just like the appraised equipment. Inherent in the Reproduction Cost New are all the obsolescence factors contained in the appraised property. M&E appraisers treasure the Office of Price Stabilization book of machine tool prices published during the Korean War. The Government established price controls during the War that included the publication of the specifications, weight, and base price on all machine tools. An example of the weakness of trended Reproduction Costs can be illustrated by the application of a cost trend to the 1951 list price on a Monarch 20" engine lathe. This is a machine that is no longer built. The trended cost would result in a current Reproduction Cost New that exceeds \$100,000! Replacement Cost New reflects the cost to acquire new equipment having the same utility. In this case, a foreign-built lathe of the same swing and centers would more accurately reflect the new cost for appraisal purposes.

Care should be taken to determine if reported equipment costs, mostly obtained from accounting and project property records, include various "soft" costs such as foundations, piping, wiring, transportation, travel, engineering, and turn-key support. Project costs many times do not include the cost of company supplied labor, material and equipment. Additionally, the appraiser should be aware of reported costs that appear to be unusually low. This may indicate that the equipment could have been transferred from another plant to net book value or, perhaps, the equipment purchase included a trade-in discount or the purchase of a demonstrator model. This is not unlike the difference in value between a car on the showroom floor and a never titled demonstrator or executive car.

I recently appraised a tool and die shop that included a popularly-priced vertical machining center that was a couple of years old. The client provided a copy of the invoice that indicated that the machine included certain options including a larger sized spindle motor and tool holders. In checking with the local distributor, I found that the same model machine today comes standard with the larger sized motor and a similar compliment of tool holders. Additionally, the machine had a list price of 70% of the original machine cost.

Continued on page 7

Continued from page 6

In recent years, the metals and related manufacturing industries have gone through a roller coaster ride of activity. Many equipment manufacturers chose to slash prices in order to keep the shop going during the economic downturn. I am sure that we have all seen new equipment sold or being offered for sale with discounts that, in some cases, approached 50% of normal new cost. As appraisers, we should be aware of new equipment pricing.

In this regard, I appraised a 2-year-old, top-of-the-line steel blanking line that became available for sale as a result of a plant closure. In speaking with the manufacturer at that time, I found that they had a new, nearly identical line that became available for sale as a result of an order cancellation. The manufacturer, a motivated seller, was offering the line for sale at a measurable discount. I chose to mention the availability of the new line in my report and the impact it had on the value of the 2-year old line. ●

Wecome New AMEA Members!

Mr. Loe Anders, CEA
Hilco Appraisal Services, LLC
1855 Piedmont Road, Suite 103
Marietta, GA 30066
Phone: +770 977 5330
Loea@bellsouth.net
www.hilcoappraisal.com

Mr. Seth Arnold, AEA
Arnold Equipment Company
24400 Highpoint Road, Suite 5
Beachwood, OH 44122
Phone: +1 216 831 8485
Fax: +1 216 831 8414
seth@arnoldeqp.com
www.arnoldeqp.com

Mr. William Barron, CEA
Hilco Appraisal Services, LLC
5 Revere Drive, Suite 300
Northbrook, IL 60062
Phone: +1 847 313 4706
Fax: +1 847 897 0806
wbarron@hilcoappraisal.com
www.hilcoappraisal.com

Mr. Gary A. Belter, AEA
Belter Machinery Co., Inc.
5962 Weymouth Dr.
Rockford, IL 61114-5551
Phone: +1 815 654 3300
Fax: +1 815 633 3969
gary@beltermachinery.com
www.beltermachinery.com

Mr. Stan Czupryna, CEA
Loeb Equipment & Appraisal
Company, Inc.
4131 S. State St.
Chicago, IL 60609
Phone: +1 773 548 4131 x141

Fax: +1 773 548 2608
stanc@loebequipment.com
www.loebequipment.com

Mr. David Green, AEA
Kentucky Rebuild Corp.
10065 Toebben Drive
Independence, KY 41051
Phone: +1 859 283 8300
Fax: +1 859 283 8303
dgreen@kyrebuild.com
www.kyrebuild.com

Mr. Gerald Hampton, CEA
Hampton Valuation Services
1444 Cross Bend Road
Plano, TX 75023-6713
Phone: +1 972 424 2622
ghampton@sales@aol.com

Mr. George Malouin, AEA
K. D. Capital Equipment LLC
16454 North 91st Street, Suite 101
Scottsdale, AZ 85260
Phone: +480 212 0579
Fax: +1 480 922 1674
georgem@kdcapital.com
www.kdcapital.com

Mr. Michael Mills, AEA
K. D. Capital Equipment LLC
16454 North 91st Street, Suite 101
Scottsdale, AZ 85260
Phone: +1 480 922 1674
Fax: +1 480 922 1675
mike@kdcapital.com
www.kdcapital.com

Mr. Brian O'Neill, CEA
Hilco Appraisal Services, LLC

5 Revere Drive, Suite 300
Northbrook, IL 60062
Phone: +1 847 313 4706
Fax: +1 847 897 0806
boneill@hilcoappraisal.com
www.hilcoappraisal.com

Mr. Larry G. Sage, CEA
The Sage Group
3517 Highway 17, Suite A
Orange Park, FL 32003
Phone: +1 904 215 6623
Fax: +1 904 215 6625
sageappraise@juno.com

Mr. Butch Selvage, CEA
Selvage & Associates, LLC
1506 White Road
Grove City, OH 43123
Phone: +1 614 875 3460
Fax: +1 614 875 1302
auctionselvage@yahoo.com

Mr. Sandor "Sandy" J. Soos, CEA
Great American Group
6330 Variel Avenue, Suite 100
Woodland Hills, CA 91367
Phone: +1 818 884 3737 x470
Fax: +1 818 884 3569
ssoos@greatamerican.com
www.greatamerican.com

Mr. Michael Treger, CEA
K. D. Capital Equipment LLC
16454 North 91st Street, Suite 101
Scottsdale, AZ 85260
Phone: +1 480 922 1674
Fax: +1 480 922 1675
miket@kdcapital.com
www.kdcapital.com

Member News...

Congratulations to the following AMEA members who recently passed the USPAP course and exam: **Sean Abenstein, CEA**, Trans-Canada Liquidations, Ltd.; **William Barron, CEA**, Hilco Appraisal Services, LLC; **Michael F. Feinstein, CEA**, Universal Metalworking Equipment Inc.; **Steve W. Quale, CEA**, Tauber Arons, Inc.; **Gilbert A. Schwartzman, CEA**, Michael Fox International Inc.; and **Michael Tope, CEA**, Alaska Equipment Appraisers. ●

Calendar of Events...

Mark your calendars with these upcoming events:

January 29, 2005 - AMEA Board of Directors and Committee Meetings; Saddlebrook Resort, Tampa, FL

May 11, 2005 - AMEA Board of Directors and Committee Meetings; Sheraton Hotel & Towers, New York, NY

May 12-15, 2005 - 64th MDNA Annual Convention; Sheraton Hotel & Towers, New York, NY ●

Need to take USPAP?

Visit the following web sites for dates and locations of upcoming Uniform Standards of Professional Appraisal Practice (USPAP) programs:

The Appraisal Foundation
www.appraisalfoundation.org

American Society of Appraisers
www.appraisers.org

University of Columbia-Missouri On-line Courses
http://MUDirect.missouri.edu/ASA/online.htm

Lincoln Graduate Center
www.lincoln-grad.org

Middleton Real Estate Training, Inc.
www.middletontraining.com

Career Webschool
www.careerwebschool.com/

www.amea.org



1 AMEA Appraisers' Forum:
A Successful Endeavor
Nate's Notes
Member Info Update
Lender's Column
The Cost Approach to
Value
Welcome New Members
Member News
Calendar of Events
USPAP Courses

Inside:

Association of Machinery
and Equipment Appraisers
315 South Patrick Street
Alexandria, VA 22314-3501 USA
Phone: +1 703 836 7900 or
+1 800 537 8629
Fax: +1 703 836 9303
amea@amea.org
www.amea.org