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Event News

Annual AMEA/ASA Appraisers Forum Big Success

"Awesome," "well-presented" and "very informative" were among the many glowing reviews we received on this year's AMEA/ASA Appraiser Forum held in Chicago on March 24 to 26.

Attorney and appraiser Roger Durkin, J.D., M.S., kicked things off with an intensive day-long session on what clients look for in machinery and equipment appraisals, and how best to meet their needs.

Friday's sessions focused on industry-specific reviews, with dealer/auctioneer John Lawton, CEA of machinesused.com presenting a technical overview with value considerations when appraising Haas CNC machines; Scott Buth, CEA, CSA of Alternative Machine Tool, LLC focusing on Electrical Discharge Machines; Romas Juodvalkis of Allways Precision discussing used machinery; and Jack Clarke of Arlington Plastics Machinery reviewing plastics.

On Saturday, we were treated to a tour of Perfection Machinery Sales, Inc., the world's largest supplier of used machinery for the last 45 years. Attendees had the opportunity to view and value a wide range of equipment, as well as glean helpful insights from Perfection employees.

This is the seventh annual Appraisers Forum, and the third to be co-hosted with ASA.



Carlos Leitao

Industry Insight

North American Economic Outlook Mixed

At the 70th annual MDNA convention held in May, economist Carlos Leitao of Laurentian Bank Securities provided insights into the North American Economy. His key points included the following observations:

- There is a disconnect between economic expectations and reality. Expectations of future growth have swung between optimism and gloom. Performance has been far more stable, with modest growth for the last 5 quarters.
- **US job growth has been slow since "the end" of the recession in 2nd Q 2009.** This contrasts with an employment rebound in Canada, which did not face the same credit crunch as the US.
- Some aspects of the US labor market woes, such as a worrisome drop in labor force participation rates and a growing skills mismatch between labor demand and supply, are increasingly structural in nature. This means that you should expect the rate of unemployment to improve only very slowly in the United States, keeping consumer confidence weak for some time.
- The bright side of the US labor market slack is that inflation will remain low despite high energy prices. Indeed, rising energy prices tend to lower demand for other goods, creating downward pressure on non-energy consumer prices.
- Subdued inflation allows the Federal Reserve to keep interest rates very low for "an extended period," so interest rates should not rise until well into 2012. Market rates (i.e. bond yields) are also unusually low, and will remain so as long as the predominant winds in capital markets blow in the "risk-off" direction; the US dollar also benefits in a "risk-off" environment .



AMEA APPRAISER

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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.

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AMEA Appraiser welcomes contributions from members and others in the machinery and equipment appraisal community. For details, contact pamela.reid@amea.org.

The AMEA Experience

**We Know What We're Looking At...
We Know What It's Worth**

— Jack Mendenhall, CEA



At the recent AMEA / ASA Appraisers Forum, I chatted with two bankers who asked how AMEA appraisers differ from ASA appraisers. "Hands-on experience," I replied. For the most part, in addition to serving as appraisers, AMEA members also work as used machinery dealers and industrial auctioneers. This gives them a true market-based perspective on the equipment they appraise.

Regular membership in AMEA requires the individual to be employed full time by a Machinery Dealers National Association (MDNA) member firm. We talk about buying and selling used machinery and equipment all day long. We invest our own money in it. We look at it every day.

As a result, we know a "good one" from a "bad one." We know that a Mori Seki is a "good one" and that a Hitachi Seiki is a "not so good one." We know what we're looking at, and we know what it's worth. This hands-on experience makes us more qualified to render opinions of value than those who strictly perform appraisals.

The majority of us buy and sell used metalworking machinery. We are joined by individuals who deal in other equipment such as woodworking, ovens, chemical and food processing equipment, die cast, foundry, and plastics machinery. If we see something we're unfamiliar with, we know who to call.

In addition, we check comparable values against the right auction reports, and with credible dealers and auctioneers. Just because a dealer sends a comparable quote on a machine for \$19,500 doesn't mean it's worth it. Further investigation may reveal that it's been on the market at that price for the last 11 years, that the owner paid \$4,200 when it was bought, and that it's being scrapped next week because no one wants it now. Knowing who to ask to uncover such details is the strength of an AMEA appraiser.

AMEA appraisers know that valuations cannot be based on their experience alone. The Uniform Standards of Professional Appraisal practice dictates we employ accepted USPAP procedures, including consulting new and used equipment dealers, reviewing catalogs and trade publications, and reviewing current auction reports from credible sources.

AMEA members' buying and selling experience, overall market perspective, compliance with USPAP, and our involvement in the MDNA are what allow us to offer the most reliable machinery and equipment appraisals.

Need an AMEA appraiser?

Either search our online directory (www.amea.org/appraiser/) or use our free referral service (<http://testwww.amea.org/appraiser/referral.cfm>).

Industry Trends

Japan Machine Tool Orders Rise 73% in February

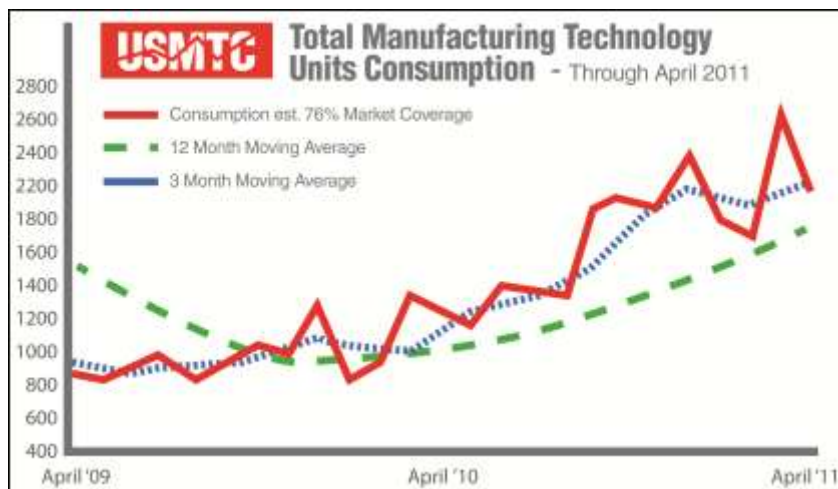
— *By Brian Block, CEA, Data contributed by USMTO (U.S. Manufacturing Technology Orders)*
A joint statistical program of AMT and AMTDA

Machine tool orders surged 73.7% on the year to 112.57 billion yen in February, rising for the 15th month in a row, according to preliminary data from the Japan Machine Tool Builders' Association. Domestic demand jumped 91.3% to 37.35 billion yen, also marking the 15th consecutive month of expansion, while foreign demand climbed 66.2% to 75.21 billion yen, up for the 16th straight month.

CNC Machine Tool Market Rebounds

— *By Brian Block, CEA, Data contributed by USMTO (U.S. Manufacturing Technology Orders)*
A joint statistical program of AMT and AMTDA

April U.S. manufacturing technology consumption totaled \$396.92 million according to The Association for Manufacturing Technology and the American Machine Tool Distributors' Association. This total, as reported by companies participating in the USMTC program (U.S. Manufacturing Technology Consumption), was down 21.0% from March but up 74.9% when compared with the total of \$226.99 million reported for April 2010. With a year-to-date total of \$1,595.98 million, 2011 is up 105.3% compared with 2010.



The steady stream of used machinery that was flooding the market during the recession has now begun to dry up, creating an upward trend in the value of available machinery. As a result, demand has increased in recent months, and buyers are finding that there are increasingly fewer used Computer Numerical Control (CNC) machinery options available to them.

In early 2010 the recovery of the CNC equipment market was driven by the automotive industry, its suppliers, die shops and the emerging need for machinery to support the growth of "green" technologies. Automotive production for March 2011 in the U.S., including cars, light trucks and medium- to heavy-duty trucks has increased approximately 20% since this time last year, according to WARD's Automotive Group. It also reports an increase of roughly 15% year to date over 2010.



Webinar News: New Webinar Reviews CNC Machine Tool Valuation

AMEA provides its members with regularly scheduled opportunities to attend webinars where specific machine configurations and their respective valuation considerations are discussed in detail.

AMEA's newest webinar is a detailed journey through the intricacies of multi-axis turning centers. Our presenter is Ken Hurwitz of Hurwitz Machinery & Asset Valuation Services Inc., a regular presenter of our very successful horizontal machining center webinar. Ken has over sixteen years of industry experience specializing in the buying, selling and valuing of machine tools while with Gross Machinery Group of Toronto, CA.

A typical one-hour machinery identification webinar identifies all the significant attributes and capabilities of modern day turning centers, and how they are valued in the marketplace. The presentation is rich with graphics and video to enable easy understanding of the various features and functionalities of these advanced turning centers. The webinar wraps up with a sample appraisal description and a discussion of market trends.

Call **800-537-8629** to find out more.



Upcoming Events

September 10, 2011
AMEA Committee and Board Meeting – New Orleans, LA

September 12-13, 2011
15-Hour USPAP: Personal Property – Milwaukee, WI

October 14, 2011
7-Hour USPAP Course – Chicago, IL

October 14, 2011
AMEA University Social Media Workshop – Chicago, IL

Spring 2012
Mark Your Calendar!
Appraisers' Forum

Speakers Bureau

Would your organization benefit by learning more about machinery and equipment appraisal methods and trends? AMEA appraisers are available to speak on a wide variety of topics. For more information or to book a speaker, contact our Speakers Bureau at **703-836-7900**.

Industry Trends (continued)

U.S. Manufacturing Continues Solid Growth

— *AccuVal Associates data provided by ISM (Institute of Supply Management)*

The latest ISM manufacturing report shows solid expansion in March 2011 for the 20th consecutive month, despite a minor decline in the index from 61.4 in February to 61.2 in March. An index reading above 50 indicates sector expansion. The March figure was well above the anticipated 61.0 reading.

The employment component fell from its 64.5 February level, but remained solidly in expansionary territory at 63.0, and above the 61.7 January reading.

Despite the modest dip in the headline reading, the ISM manufacturing index remained solidly in expansionary territory in March. The small decline in the headline index in March was largely the result of a drop in the new orders sub-index to 63.3 from 68.0 in February. The employment index slipped slightly to a still solid 63.0 in March from 64.5 in February; however, partial offset was provided by a gain in the production index to 69.0 in March from 66.3 in February, its highest level since January 2004. With respect to inflationary pressures, the prices paid component climbed further in March to 85.0 from 82.0 in February and 81.5 in January.

The tick down in the ISM manufacturing index in March from already elevated readings in February and January boosted the average for the first quarter of 2011 as a whole to 61.1 following a 57.9 reading in the fourth quarter of 2010. This marks the highest reading, on a quarterly average basis, since 1983 and suggests that manufacturing activity continued to expand early in 2011.

Despite this expansion, February construction numbers suggest that first quarter **2011 business investment may be weaker than previously expected**. What's more, there are indications that consumer spending growth slowed from 4% in fourth quarter 2010 to 2% in first quarter of 2011. This suggests that the pace of GDP growth likely slowed moderately in the first quarter of 2011 to 2.8% from the 3.1% increase in the fourth quarter of 2010.

Continued employment growth, evident both in the employment sub-index of the ISM report and the stronger than expected 230,000 gain in private employment in March, bode well for consumer spending and GDP growth. This is consistent with our forecast for annual 2011 GDP growth of 3.3%, following the 2.9% increase in 2010 and 2.6% drop in 2009.

Separately from ISM, construction spending in the U.S. fell 1.4% in February, which was well below market expectations for a smaller 0.2% decline in the month. The weakness in February was split evenly between the private (-1.4%) and public (-1.3%) sectors. The decline in private spending was led by a 3.7% decline for residential construction spending that more than retraced a 3.6% increase in January. Private non-residential construction rose 0.9% in February, although this only partially retraces an outsized 8.0% drop in January that likely reflected the effect of poor weather in that month.

Glossary Of Machining Center Terms

Spindle Speed: The maximum RPM of the spindle.

Spindle Taper: The class and size of the tool holder that the spindle will accept

Spindle Motor Hp: The horse power of the spindle motor, measured in Hp or Kw

Traverse Feed Rate: The speed at which the spindle can reposition, measured in IPM (Inches Per Minute)

Cutting Feed Rate: The speed at which the spindle can move while tool is cutting, measured in IPM

The Pallet: The table on which the workpiece is mounted. In some cases, the pallet can rotate.

Indexing: The minimum graduation of the turn of the pallet, measured in degrees.

Contouring: All pallets rotate, the difference being is it one 1 degree increments (positioning) or full non-stop rotation, 0.001 degree increments. Contouring is possible when the pallet has non-stop rotation.

Twin Pallet or APC (Automatic Pallet Changer): Almost every HMC has two pallets, usually called a rotary or turn-type APC

Linear Pallet Pool: A number of pallets mounted on chain driven raceway to allow pallets to change.

Automatic Tool Changer (ATC): A tool carrier which enables the machine to change the tools. Can carry any number of tools depending on options.

Chip Conveyor: A conveyor, sometimes magnetic, which takes the metal waste (chips) from the machine and dumps them in a hopper.

Coolant: The liquid coolant sprayed on the interface between the cutting tool and the workpiece.

Coolant Through the Spindle: The coolant is sprayed through the spindle to ensure that coolant reaches the interface between the workpiece and the tool. This keeps the tool cool, and allows for longer tool life as well as heavier cuts

Flood Coolant: Adjustable spray system to cover the workpiece and tool in coolant

Coolant Mist: A fine mist of coolant to ensure proper penetration of coolant. Usually comes with a mist recovery system

Coolant Refrigeration: A unit which filter and chills the coolant being circulated in the machine.

CNC Control: Computer Numerical Control which allows for programming of the machine.

Probing: A probe mounted on the spindle to accurately track the position of the spindle

Auto-coupler: With an auto-coupler, hydraulic and pneumatic pressure can be supplied to the table on the in-machine side of APC (automatic pallet changer). Hydraulic pressure is supplied by branching a hydraulic hose at the table center axis. It allows the machine to utilize very efficient and effective work-holding devices, called fixtures

Equipment Basics & Valuation

All About CNC Machine Tools

— By Brian Block, CEA, Data contributed by USMTO (U.S. Manufacturing Technology Orders) A joint statistical program of AMT and AMTDA



Computer Numerical Control (CNC) machine tools are usually described as powered tools where the movement of the spindle along the axes and the movement of the table is controlled by computer instead of manually. Machine tools are described as vertical or horizontal depending on the orientation of the spindle. The functions possible on a machining center include boring, milling and tapping.

In a horizontal machining center (HMC) the spindle orientation is in the horizontal plane. HMC's have a table (pallet) on which the workpiece is mounted. The column moves back and forth (x-axis), the spindle moves up and down (y-axis) and side to side (z-axis).

In a vertical machining center (VMC) the spindle orientation is in the vertical plane. VMC's have a table (pallet) on which the workpiece is mounted. In the case of a VMC the spindle here normally moves just up and down (z-axis), the table moves side to side (x-axis) and back and forth (y-axis).

CNC machine tools have a basic range of functions:

- **When boring**, the spindle of the MC turns a drill bit that creates a hole in the workpiece
- **When milling**, the spindle turns a milling head that cuts away material from the workpiece
- **When tapping**, the spindle turns a tapping tool that creates a thread in a hole in the workpiece.

The machining center (MC) operates in the following basic axes:

X-Axis travel is the longitudinal movement of saddle

Y-Axis travel is the vertical movement of spindle head

Z-Axis travel is the cross movement of pallet

The more sophisticated MC's have additional axes; up to ten are possible.

A typical appraisal description for a Horizontal Machining Centre would include at a minimum the following: Manufacturer, Model, Year of Mfg, Spindle Taper #, Maximum Spindle Speed, Spindle Motor, Pallet Size, Number of Pallets, Index Pallet, Auto Tool Changer, Axis Travels, CNC Controller, DNC Link Up, Oil Cooler, Cooler, Coolant Through The Spindle, Chip Conveyor, Tooling.



Welcome New Members

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Heard On The Street



Foundry Market Heating Up

*John Greene, FL Sales, Inc.,
Solon, Ohio*

"At the present time, the Foundry Market is very hot. Most of the foundries are operating double shifts and late model equipment is bringing record prices; even older items are selling well. We recently sold at auction 2 Hunter HMP 10 Molding Machines, new in 1988, for \$26,500 and a 1980 model for \$24,500. They were the only machines on the market. If I had one in inventory the retail price would have been in the \$15,000 to \$18,000

range. Automatic molding systems, single end snap trap grinders, B&P Muller's, tumble blast cleaning machines and Inductotherm Furnace systems are in very short supply. The international market is also very busy with lots of inquiries, mostly for items that are not available".



Molding Machine Shortages Increase Used Equipment Demand

*David Pietig, Arlington Plastics Machinery,
Elk Grove Village, Illinois*

"In some recent instances, molding machines have been sold before they even had a chance to be advertised on our website. We are seeing a significant increase in demand for hydraulic injection molding machines in the 500 to 700 ton range as well as electric machines. The demand for used equipment has

been clearly apparent in higher sale prices at liquidation sales. While there is certainly more of a desire for late model injection molding machines, the increase in manufacturing demand and the limited availability of late model equipment has helped to increase sales for older equipment that was considered far less desirable as little as a year ago."



Worldwide Pickup in Manufacturing Needs

*Natasha Haas Machinery Exchange, Inc.,
Chatsworth, California*

"Haas machinery continues to be a hot ticket item around the world: China, Taiwan, Vietnam and India seem to inundate used sellers for all types of CNC equipment from screw machines to horizontal machining centers. An overall pick-up in manufacturing needs worldwide is happening where the used

market is drying out of surplus machine tools"

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AMEA Mourns the Passing of Norm Adler

One of the founders of AMEA and its first president, Norm Adler of Hilco Appraisal Services, passed away on March 24, 2011. Acknowledged as a visionary behind the appraisal methodology and reporting structure used today by asset-based lenders, Norm served in leadership roles with many industry associations and was most recently associated with Hilco Appraisal Services.



From The Board Room

A Message From The President



As my term begins as the President of AMEA, I assume this position with great pride and responsibility. Since 1983, the Association of Machinery and Equipment Appraisers (AMEA) has served our industry experts with exceptional educational programs, professional training, and business and networking opportunities directly related to the appraisals of machinery and equipment. My goal is to continue this legacy along side with the talented officers, directors and committees of AMEA.

AMEA is dedicated to establishing and maintaining the highest professional standards for machinery and equipment appraisers. Our relationships with industry affiliates is as strong as ever, and the recognition the AMEA has received from The Appraisal Foundation Advisory Council (TAFAC) has proven to be beneficial for all. It is a great honor for the AMEA to have input in the policies and direction of our industry.

Recognized as the leading Association in educational programs for machinery and equipment, the AMEA has expanded its reach over the last few years through technology, and has been at the forefront of the Webinar educational platform. One of my goals for our membership is to continue developing and presenting our quality educational programs. In addition, the AMEA has seen strong growth in expanding our membership of industry experts, and the AMEA will continue to enhance its member benefits and networking opportunities.

As we have all faced some challenging times over the past few years, I do feel a sense of optimism that the tides are turning. We hear news about manufacturers opening new plants, and transferring operations back to the U.S., as well as additional reports that U.S. exporting is on the rise. This is great news, and as manufacturing expands in the country, there is no more important time to work with the most respected, experienced and certified appraisers for machinery & equipment. The AMEA membership is made up of unparalleled industry experts who have day-to-day buy/sell experience. As our clients face new challenges, the experts at the AMEA are here to help navigate the **turbulent waters, with our client's best interest in mind. Our top priority is for the members of AMEA, and our clients, to have a successful partnership.**

I would like to personally thank you for your continued support of the appraisal industry. As President, I will put forth great effort to build on the foundation that was established by our preceding leaders. Ongoing education, professional development, and building relationships will allow us to strengthen and prosper; to grow as individuals; to grow professionally within the appraisal industry, and continued growth as the Leading Appraisal Association for Machinery & Equipment.

I look forward to serving you as President of the AMEA.

Thank you,

Charles J. Winternitz, CEA



Upcoming Events

September 10, 2011
AMEA Committee and Board Meeting – New Orleans, LA

September 12-13, 2011
15-Hour USPAP: Personal Property – Milwaukee, WI

October 14, 2011
7-Hour USPAP Course – Chicago, IL

October 14, 2011
AMEA University Social Media Workshop – Chicago, IL

Spring 2012
Mark Your Calendar! Appraisers' Forum



Three Ways AMEA Can Help You

1. Find an Appraiser. Whether you're appraising one machine or an entire plant with varied equipment... nearby or around the globe... turn to certified AMEA members for extensive experience and industry best practices. Our online directory of certified AMEA members (www.amea.org/appraiser/) lets you search by geographic location or name. Or, if you prefer, provide information on your equipment and our free referral service (http://testwww.amea.org/appraiser/referral.cfm) will find the best match for your needs.

2. Follow Industry Trends. Subscribe to this newsletter, AMEA Appraiser, for current industry news and trends. Every quarter, it brings you highlights of recent AMEA conferences and webinars, as well as reports on market developments from AMEA members and others in the machinery and equipment appraisal industry. For your free subscription, go to http://www.amea.org/contact/index.cfm.

3. Educate Your Organization. AMEA appraisers are available to speak on a wide variety of topics, from appraisal trends to methodology and more. Educate your organization on what's happening now in the machinery and equipment appraisal market. Contact our Speakers Bureau at 703-836-7900 for more information or to book a speaker.



- Request a referral to a knowledgeable machinery and equipment appraiser with current market experience
- Stay current with industry news and trends through a free subscription to AMEA Appraiser
- Educate your organization by booking an AMEA speaker to talk at your next event

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