

MALC 2019

**Breakout Session
April 8th – 3:30pm
Aransas Room**

**Equipment and Machinery
Appraisals**

**“Understanding USPAP Certified
Machinery & Equipment Appraisals”**

Ross Blanchard, CMEA



Doug Scheiding, CMEA



Purpose

- **Help you understand certified equipment appraisals so that.....**
- **You can improve bidding process, get better quality information in return, and understand the pertinent sections in the report that is provided**
- **When do you perform them?**

Nationwide Valuations services

- **All 50 states**
- **USPAP and SBA Compliant**
- **7-10 Business Day Turnaround**
- **Rush Valuations**
- **Update Valuations**
- **Certified through NEBB Institute**

EAofSA / RSI services

- **3 Certified Machinery and Equipment Appraisers (CMEA)**
- **Office has 2 *Recovering* Engineers**
- **Performed over 150 Appraisals since 2009**
- **No specialty items such jewelry, antiques, art, inventory, etc.**
- **All over the US – Like Ross we will get other appraisers to do data collections out of state**

Agenda

- **USPAP / definitions discussion**
- **Pertinent information for better bidding**
- **Data Collection**
- **Understanding the Report...efficiently**

USPAP - *Uniform Standards of Professional Appraisal Practice*

- **Congress adopted in 1989**
 - **Result Savings and Loan Crisis**
- **All types of appraisal services**
 - **Real Estate**
 - **Personal Property (equipment)**
 - **Businesses**
- **Standards 7 and 8 for Equipment**
- **Modified every 2 years**

Major Changes to USPAP

- **Prior to the 2014-15 USPAP, there were three Report Options:**
 - Self-Contained Appraisal Report
 - Summary Appraisal Report
 - Restricted Use Appraisal Report
 - **Since January 1, 2014, there are two Report Options:**
 - Appraisal Report (Multi-user)
 - Restricted Appraisal Report
- With 2 Variations – ONSITE/DESKTOP**

Additional Comments / Detail in Report for a Multi-User Appraisal

Item 42A-B – 2017 Cargo Craft EV7162 - The appraiser was only able to locate new units for sale due to the age of these items. Both of these units are slightly damaged with some minor dents. Due to the limited data points, the appraiser used the effective age depreciation approach.

Item 43A-B –2002 Belshe WB-12 Trailers – These are heavy duty trailers albeit in a used condition. The appraiser was able to find similar units for sale and auction for the market data approach.

Item 44A-B – 2005 Big Tex 12OA-20 - The appraiser was able to find similar units for sale and auction for the market data approach.

IMPORTANT TERMS

- **Effective Date**
- **End User**
- **Scope of Work**
 - **What appraiser did and HOW they developed**
 - **Is it appropriate for the assignment**
- **Type of Values**
- **Capital List vs Support Items**
- **Approaches Used**

USPAP - Values

- **Common Types of Values**
 - **Fair Market Value (FMV)**
 - **Orderly Liquidation Value (OLV)**
 - **Online auctions like Ritchie Bros and AuctionTime, Proxibid, eBay**
 - **Forced Liquidation Value (FLV)**
 - **Quick Sale – courthouse auctions**
 - **Rare that all 3 are requested**
- **Other Types of Values**
 - **Salvage (parts) & Scrap (material)**
 - **FMV – Installed, Removed, Cont. Use**

USPAP - Approaches

■ Market Data

- Databases of Sold or For Sale Items
- We believe most accurate
- Changes in demand

■ Cost Approach (Depreciation)

- Physical, Functional, Economic (Ext.)
- Lack of Market Data
- Custom or Unique Equipment

■ Income Approach

- Rarely if ever used

Depreciation/Effective Age

Appearance, Age, Hrs/Miles, Maintenance, Storage, Operating Conditions, etc.

- Grandma's Car vs Oilfield Vehicle

NOTE: Watch out for appraisals where this is only approach



Bidding

- **Scope of Work**
 - Purpose (loan, refi, gift, tax...)
 - Req. to verify existence (onsite)
 - Threshold of Value - \$2k, \$5k (SBA), or ??
 - Estimated and/or Orig. Cost helps!!!!
 - Detailed Equipment List
 - Supporting Items (bulk)
 - Type(s) of Value (FMV, FLV, OLV)
 - Timeframe needed
 - Effective Date
- **Number of Intended Users (SBA+1)**
 - Adds cost and determines report type
 - Additional Detail on the Items

Bidding Cont'd

- **Equipment Owner**
- **Client**
- **Intended User (bank and SBA)**
- **SOP Requirement >\$250k**
- **Onsite**
 - **# of locations**
 - **Hours of operation**
 - **Hands on verification for UCC check, has it been sold, wrecked, more equipment not under loan, etc.**

Bidding Cont'd- Desktop

- **Desktop Report usually done for cost and time reasons**
 - Year, Make, Model, Serial Number, Hrs, Condition, Comments, Maint
 - Quality of Information will reflect in the accuracy of the values
- **Delays in Receipt of information will delay the report**
- **Photographs!!!!**
 - condition and information accuracy

EXAMPLE BID REQUEST



RSI & Associates, Inc.
 Lender Support Division
 361-994-8095 ext. 100
 clientservices@value-solutions.com

Request a Bid Proposal Equipment Appraisal

GENERAL INFORMATION	
Name of Assignee / Lender:	Date:
Office Phone:	Cell Phone:
Organization Requesting Bid:	
Email Address:	
INFORMATION ON PROPOSED EQUIPMENT APPRAISAL	
Subject Company:	DBA (if applicable):
Location(s) Of Equipment:	Industry:
City:	State / Territory:
	Zip Code:
Type of Appraisal Needed: <input checked="" type="checkbox"/> Desktop (Company Owner/Lender to provide data) <input type="checkbox"/> Desktop with Site Inspection* <small>(Desktop with Certified Site Inspection)</small> <input type="checkbox"/> Formal On-site* (Appraiser Goes On-site / Collects Data) <small>*If equipment is at multiple locations, indicate in comments below.</small>	Purpose of Use for Appraisal: <input type="checkbox"/> Conventional Financing <input checked="" type="checkbox"/> SBA Loan Guarantee <input type="checkbox"/> USDA Loan Guarantee <input type="checkbox"/> Other:
Threshold of Value <small>(for individual items to be appraised):</small> <input checked="" type="checkbox"/> Standard \$5,000 <input type="checkbox"/> Other: Include Support Items in Appraisal? <small>(Those items below Threshold)</small> <input type="checkbox"/> Yes <input type="checkbox"/> No	Values Needs (Check all that apply): <input checked="" type="checkbox"/> Fair Market Value <input type="checkbox"/> Forced Liquidation <input type="checkbox"/> Orderly Liquidation <input type="checkbox"/> Other:
Desired Turnaround: <input checked="" type="checkbox"/> Standard 12-15 Business Days <input type="checkbox"/> Expedited 7-10	
DOCUMENT REQUEST:	
<small>(Check each box of the documents you are providing with this Bid Request)</small> <input type="checkbox"/> Equipment List (Detail is Appreciated) <input type="checkbox"/> Depreciation Schedule (Most Recent Tax Return) <input type="checkbox"/> CPA's Depreciation Worksheets <input type="checkbox"/> Internal Depreciation Schedule Worksheets	
ADDITIONAL INFORMATION / COMMENTS	

NWV RFQ Form

2015-06  CONFIDENTIAL-A

Request for Machinery and Equipment Appraisal Quote

This is a request for the cost of the report only
The appraisal process will not start until a formal engagement letter has been signed

SUBMIT FOR THE QUOTE:

Equipment List (Must include acquisition cost):

Depreciation Schedule and/or
 Detailed list of equipment to be appraised showing estimated value or cost new.

Type of Report (Check one):

On-site: Nationwide Valuations will be responsible for data collection.
 Desktop: Client is responsible for data collection, including photos and detailed description of the equipment (make, model, serial #, age, condition, mileage, etc.).

Turnaround time (Time starts when Nationwide receives all necessary data):

The standard turnaround time of 10 to 15 days will be sufficient.
 I need it quicker than the standard turnaround time (additional charges apply).

Type of Equipment: _____

REQUIRED INFORMATION FOR THE ENGAGEMENT LETTER:

Business Name: _____
Business Address: _____
Business Contact: (name/phone/email) _____

Lender Name: _____
Lender Address: _____
Lender Contact: (name/phone/email) _____

Intended use of the report: _____
Intended users of the report: _____

Nationwide Valuations 6 of 7

2015-06 CONFIDENTIAL-A

Type of value needed (Check all that apply):

Fair Market Value in Continued Use (FMV)
 Orderly Liquidation Value (OLV)
 Forced Liquidation Value (FLV)

Equipment Locations:

Address 1: _____

Contact Information #1: (name/phone #/email)

Address 2: _____

Contact Information #2: (name/phone #/email)

Address 3: _____

Contact Information #3: (name/phone #/email)

Special Instructions:

Submit this form and equipment list to:
info@NationwideValuations.com -OR- Fax to 303.586.4554

We 'VALUE' Our Clients

3445 DTC Parkway Penthouse 4 Greenwood Village, CO 80111	local: 303.750.5259 toll free: 800.750.5259 fax: 303.586.4554	web: www.nationwidevaluations.com email: info@nationwidevaluations.com
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Data Collection

- **Can be the most valuable service for existing loans for the accounting of items**
 - Typically time consuming and costly
- **Just because it's on the balance sheet or Depreciation doesn't mean it's there and in good condition.**

Data Collection - Dream



Data Collection - Reality



Item On Capital List



Capital List – Individual Items

Item #	Type	Manufacturer	Model/ Description	Serial/ VIN No.	Year/ Age	Condition as reported by Client	Remaining Useful Life *	Comments	Estimated Fair Market Value	Estimated Orderly Liquidation Value
41A	Trailer 522	Road Clipper	Dump 21WD	46UFU142XG1175853	2016	Good	10	The sides fold down on the 25DOD trailers	\$20,000	\$10,950
41B	Trailer 523	Road Clipper	Dump 25DOD	46UFU1225G1181305	2017	Good				
41 C	Trailer 520	Road Clipper	Dump 25DOD	46UFU1422H1186251	2017	Good				
42A	Trailer 526	Cargo Craft	Enclosed	4D6EB1625JC051288	2018	Good	10		\$7,850	\$4,325
42B	Trailer 527	Cargo Craft	Enclosed	4D6EB1626JC051459	2018	Good				
43A	Trailer 502	Cat/Belshe	WB-12	16JFO162221037465	2002	Fair	10	Heavy Duty Trailers	\$13,250	\$5,000
43B	Trailer 503	Cat/Belshe	WB-12	16JFO162221036560	2002	Fair				
44A	Trailer 504	Big Tex	120A-20	16VFX202552351408	2005	Good	10		\$5,450	\$3,500
44B	Trailer 505	Big Tex	120A-20	16VFX202252373995	2005	Good				
45	Suburban	Chevrolet	Tahoe LTZ	1GNSKJKCXGR170931	2016	Good	10	17,500mi Assume RWD not 4x4	\$45,150	\$32,000
Estimated Values:									\$91,700	\$55,575
Total Estimated Values:									\$2,353,550	\$1,537,075

Ancillary Support Items Valued in Bulk (~<\$5k)

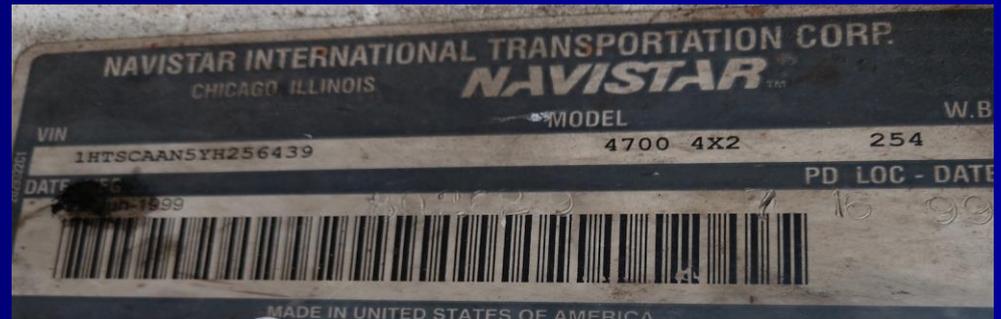
2003	FEATHERLITE	Trailer - Cargo	4FGL024203C059633	23286F
2009	BIG TEX	Trailer - Black Dump	16VDX122392H37882	460699H
2006	BIG TEX	Trailer - Blue Tiltbed	16VEX202962309269	48569P
2008	BIG TEX	Trailer - White Cargo	49TCB081791092045	238388J
2012	Tugg	Trailer - Black Utility Gooseneck	1R9BU2028CS474275	89611P
2012	Wylie	Trailer - 500 gallon water trailer	5VUTW1320CP000010	18336P
2015	CARGO CRAFT	Trailer - Expedition-85242	4D6EB2426FC040901	919288H
2016	Roadclipper	Trailer - Black Dump	46UFU142XG1175853	683452J
2017	Haulmark	Trailer-Utility	575PB122XHT327299	546626J
2017	CARGO CRAFT	Trailer - Utility (Texas Flag)	4D6EB122XHC047589	685036J
2017	Texline	Trailer - Black Tilt Utility	5HNFS1210H1000508	779468J
2018	Texline	Trailer - Blue Utility	7HACU1425J1000910	097127K

Est. Fair Market Value: \$51,775

Est. Orderly Liquidation Value: \$28,500

DATA COLLECTION

3-4 Pics Preferred



Understanding the Report

- **3 Appraiser Signed Pages**
 - Engagement Agreement
 - Summary or Letter of Transmittal
 - Appraiser's Certificate
- **Appraiser's Comments / Capital List**
 - Meat of Report
 - List of Assumptions
 - Approach used
 - Opinion on information
 - Detail depends on Restricted or Not

Understanding the Report – Cont'd

- **Final Value & Summary**
 - Methods for Items
 - Quality of Report
- **Supporting Items**
 - Ancillary Shop Tools, FFE, Computer
- **Photograph Addendum**
 - Not required but helps with quality
- **Economic Influences**
- **Sources**

Questions?

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