

NEBB CMEA (Certified Machinery & Equipment Appraisal) Training Manual

Caution

It is the policy of the NEBB Institute, LLC that the Antitrust Laws be observed by all candidates and members. PLEASE DO NOT DISCUSS APPRAISAL OR BROKERAGE FEES, RATES CHARGED OR COMPENSATION AT ANY TIME.

Fees will not be discussed in this course due to the Restraint of Trade Rules.

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Introduction



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Mission Statement

NEBB Institute is in existence to train, certify, and support professionals from various fields in the art of machinery and equipment appraisal driven by the “*best practices*” of appraisal and its methodologies, practices, and reporting. Also, NEBB provides cross training for individuals to broker machinery and equipment of all types if they choose to do so. Going beyond other certifying organizations, the Institute also makes suggestions for marketing appraisal and brokerage services along with providing ongoing support for its members.



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The ideas and marketing principles set out in this manual and the “NEBB Institute System” are general business principles which have been used effectively for many years. These principles, if applied properly, can be very effective. The NEBB Institute does not guarantee results. Results are based on individual efforts and skills.

The Member should not offer opinions of a legal or tax nature in dealing with clients, unless qualified to do so. Furthermore, it is understood the Member is defined by the Membership Agreement and is not an employee, officer, or director of NEBB Institute. The Member is a separate business entity and has been provided with the subject information and training by payment and/or other considerations and is solely responsible for his/her business dealings with others.

Use of the forms provided in the program is the sole responsibility of the Member. Forms and sample appraisals are provided in order that the Member may alter them on a case-by-case basis as needed.

Use of the Enclosed Intellectual Property is Subject to the Following:

Limited License: You have a license to use the enclosed product and any related information in accordance with these terms and conditions. You agree not to sell, sub-license, transfer, or otherwise make available any portion of the product or information to anyone outside of your business organization.

Member Responsibilities: You agree that it is your responsibility to understand and comply with all Federal, State and local laws, rules and regulations. You agree to indemnify and hold the NEBB Institute harmless against all claims related, in whole or in part, for your failure to comply with such rules and regulations. For the purpose of resolving any dispute in any way related to your use of this information or these terms and conditions, the State and Federal Court in Durham, North Carolina shall have exclusive jurisdiction.

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The NEBB Institute, LLC. requires that members comply with the ethics and reporting requirements of Standards 7 & 8 of USPAP as promulgated by the Appraisal Foundation.

However, the individual signing the report may or may not be certified by The Appraisal Foundation by way of educational requirements. In the area of USPAP certified education, compliance of the NEBB member is voluntary, though recommended by the NEBB Institute and pursued at the member's initiative.

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NEBB Adheres to Upholding Antitrust Laws

What are the antitrust laws? Simply stated, the U.S. antitrust laws are a collection of federal and state governmental laws. Antitrust laws apply to virtually all industries and to every level of business, including but not limited to manufacturing, transportation, distribution, and marketing. They protect against unfair business practices that limit competition or control prices and restrain trade.

Based on federal and state governmental laws, the NEBB Institute will not discuss during training fees to be charged. Each individual Member must personally determine the fee they will charge. CMEA's are prohibited from charging a percentage of the equipment value.

Earning the CMEA Designation

What's required to earn the CMEA professional designation? That's a great question and it only requires 7 easy steps:

1

Attend and complete our comprehensive two-day CMEA Training class, or the self-paced online training courses.

2

Sign, date, and transmit the Ethics Section to our office.

3

Take the multiple choice exam – yes, you can refer to your notes. The exam will be emailed to you upon completion of the training course. Email the completed exam to Support@NEBBInstitute.org

4

Complete the Demonstration Report. The Report will be emailed to you together with the examination upon completion of the training course. The Demonstration Report should be printed and mailed or emailed to the NEBB Institute office as if you were sending it to an actual client.

5

Email your resume in Word format to Support@NEBBInstitute.org.

6

Email your photograph in jpeg format to Support@NebbInstitute.org.

7

Hyperlink from your website to YOUR PROFILE on the NEBB Institute website.

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Contact Information

Contact	Reason	Phone	Email
NEBB Institute Customer Support	Assignment help Questions	<ul style="list-style-type: none"> +1 866-632-2467 	Support@NEBBInstitute.org
NEBB Institute Customer Support	<ul style="list-style-type: none"> Review and Grade Test/Demonstration Report Assignment help Questions Membership Plaque Supplies Billing Change Credit Card 	<ul style="list-style-type: none"> +1 866-632-2467 	Support@NEBBInstitute.org

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<p>NEBB Institute Customer Support</p>	<p>E-mail completed Test and Sample Appraisal Report to: Support@NEBBInstitute.org</p>		
<p>Monthly Newsletter, Webinars and Annual Conference</p>	<p>Watch for your NEBB Institute Monthly Newsletter for continued industry insights and information on our upcoming webinars and Annual Conference with the ISBA.</p>		

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Frequently Used Definitions

- **Actual Age:** How old an item really is. Distinguished from Effective Age below.
- **Appraisal:** A defensible estimate of value.
- **Appraisal Foundation:** Parent of the Appraisal Practices Board (APB), Appraisal Standards Board (ASB), and the Appraiser Qualifications Board (AQB). The Foundation was promulgated by Congress and is the authoritative entity of the valuation profession.
- **Appraisal Qualification Board:** (AQB) administers the minimum education and experience through the Appraisal Foundation.
- **Appraisal Report:** Distinguished from the Restricted Appraisal Report below, the Appraisal Report is more detailed in scope and provides comprehensive details as to the appraisers findings.
- **BCA:** Professional designation of Business Certified Appraiser credential earned through the International Society of Business Analysts.
- **Capital Equipment:** A machine that has an original cost new of at least \$2,500.00.
- **Comparable Match:** An item that provides the same utility as the subject item.

- **Commonality:** Items common to all types of equipment. Example: Make, model, condition, type, manufacturer.
- **Comparables:** Data that is similar or equivalent to the subject equipment.
- **Component Appraisal:** Each component of a machine is appraised individually as separate line items.
- **Cost Approach (Also referred to as Cost Less Depreciation):** Asks the question, what does a new machine cost minus depreciation. And in some cases, it includes the cost of freight and installation.
- **DFCF:** Discounted Cash Flow. Value of the anticipated revenue stream from an investment on any given date.
- **Depreciation:** A loss in value from all causes.
- **Depreciation Schedule:** An accounting procedure and spreadsheet for tracking the purchase of capitalized items and their depreciation status.
- **Direct Approach:** This approach is used when your audience will be neutral or positive about your message. Distinguished from Indirect Approach below.
- **Direct Match:** The same make and model of machine.
- **Economic Depreciation:** Once purchased, it is not worth what was paid for it. Example: computer.
- **Effective Age:** How old the machine “*appears*” to be.
- **Effective Date:** The date which the data was collected, or the specific date at which an item or items are requested to be

appraised. (ie; pre-loss of an item vs. post-loss). Or, the date of a divorce, partnership dissolution, etc.

- **Engagement Agreement:** An agreement between the Appraiser and the client that sets forth the levels of trade, location, type of report, intended users, etc.
- **Fair Market Value:** Is an opinion expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date.
- **Fair Market Value – Removed:** Is an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, considering removal of the property to another location, as of a specific date.
- **Fair Market Value in Continued Use:** Is an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date and assuming that the business earnings support the value reported, without verification.
- **Fair Market Value – Installed:** Is an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts, considering market conditions for the asset being valued, independent of earnings generated by the business in which the property is or will be installed, as of a specific date.
- **Fixture:** Is attached to and remains with the real estate.

- **Fee Simple:** 100% absolute possession.
- **Forced Liquidation Value:** Is an opinion of the gross amount, expressed in terms of money, that typically could be realized from a properly advertised and conducted public auction, with the seller being compelled to sell with a sense of immediacy on an as-is, where-is basis as of a specific date.
- **Functional Depreciation:** A worn out machine will not function like it used to when new.
- **Heuristics:** A mental method to solve problems and make judgments quickly and efficiently. *“The feeling”* or *“You just know”*.
- **Income Approach:** Rarely used in equipment appraisal. The process of estimating the value of an income producing machine through capitalization of the income and expenses.
- **Indirect Approach:** This approach is used when your audience will not be neutral or positive about your message.
- **Insurance Cost New:** The replacement or reproduction cost new as defined in the insurance policy less the cost new of the items specifically excluded in the policy, as of a specific date.
- **Insurable Value Depreciated:** The insurance replacement or reproduction cost new less accrued depreciation considered for insurance purposes, as defined in the insurance policy or other agreements, as of a specific date.
- **Intrinsic Value:** A value of an item that it possesses in its own right, as an end-in-itself as opposed to its instrumental value. (ie; a classic car)
- **ISBA:** International Society of Business Appraisers, the sister organization of the NEBB Institute Inc, llc.

- **IRV:** Acronym for $\text{Income} \div \text{Rate} = \text{Value}$
- **Level of Trade:** The various levels at which equipment is valued.
- **Letter of Transmittal:** The cover letter to the client that sets forth appropriate information regarding the appraisal assignment such as level of trade(s), value, date of inspection, etc.
- **Liquidation Value in Place** is an opinion of the gross amount, expressed in terms of money, that typically could be realized from a properly advertised transaction, with the seller being compelled to sell, as of a specific date, for a failed, non-operating facility, assuming that the entire facility is sold intact.
- **Macro Identification:** An item which has several items is appraised as a whole. (ie; a food processing line may have multiple components or machines, but they make up a single purpose or function and are therefore valued as “one” item.)
- **Market Approach:** Compares recently sold comparable equipment in arriving at a conclusion of value.
- **Marketing:** Knowledge of and practice of the little things.
- **Micro Identification:** See Component Appraisal above.
- **Orderly Liquidation Value:** Is an opinion of the gross amount, expressed in terms of money, that typically could be realized from a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis, as of a specific date.
- **Physical Depreciation:** How does the machine look? Does it look to be falling apart? Has the machine been painted to appear newer? Example: DuPont Overhaul.

- **Principle of Substitution:** No buyer will pay more for a used machine than what a new machine cost.
- **Replacement Cost:** The cost and overhead that would be incurred in acquiring a similar or improved machine having the same utility as the original. Distinguished from Reproduction Cost.
- **Reproduction Cost:** The current cost of constructing an exact duplicate of something using the same materials and workmanship.
- **Restricted Appraisal Report:** A “*Readers Digest*” summary of the equipment valued and is compliant with USPAP reporting standards, but may not be as comprehensive or detailed as an Appraisal Report. Specific restrictions would also be noted in the report. Despite common misunderstandings, a Restricted Appraisal Report can be used for multiple intended users.
- **Restricted Appraisal Report - Desktop:** (See Restricted Appraisal Report above). Additionally, the appraiser has not been to the equipment location or personally seen the equipment and relies solely on data provided by others. The report is compliant with USPAP reporting standards.
- **Salvage Value:** is an opinion of the amount, expressed in terms of money, that may be expected for the whole property or a component of the whole property that is retired from service for possible use, as of a specific date.
- **Scrap Value** is an opinion of the amount, expressed in terms of money, that could be realized for the property if it were sold for its material content, not for a productive use, as of a specific date.
- **Shop Built:** A machine that is built on location by the owner of the machine or the user of the machine for a specific purpose.

- **Trade Fixture:** A type of fixture that is “*trade related*” and stays with the business.
- **USPAP:** Acronym for the Uniform Standards of Professional Appraisal Practice.

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Ethics

All members of the NEBB Institute must comply with the ethics rule of the Uniform Standards of Professional Appraisal Practice. It is understood that the purpose of ethics is to promote and preserve the public trust inherent in professional appraisal practice. All appraisers must observe the highest standards of professional ethics.

- 1 An Appraiser must not misrepresent his/her role when providing valuation services that are outside of appraisal practice.
 - 2 An appraiser must perform assignments ethically and competently in accordance with USPAP.
 - 3 An appraiser must not engage in criminal conduct.
 - 4 An appraiser must perform assignments without partiality. He/she must have objectivity and independence, and be without accommodation of personal interest, or bias.
 - 5 In appraisal practice, an appraiser must not advocate the cause or interest of any party or issue.
 - 6 An appraiser must not accept an assignment that includes the reporting of a predetermined opinion or conclusion.
 - 7 An appraiser must not communicate assignment results in a grossly negligent, misleading, or fraudulent manner.
-

8

An appraiser must not use or communicate a misleading or fraudulent report or knowingly permit an employee or other person to communicate a misleading or fraudulent report.

9

An appraiser must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, family status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.

10

The payment of undisclosed fees, commissions, or things of value in connection with the procurement of an assignment is unethical.

11

It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent upon:

(a) the reporting of a predetermined result,

(b) a direction in assignment results that favors the cause of a client,

(c) the amount of a value opinion,

(d) the attainment of a stipulated result, or

(e) the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

12

It is unethical for an appraiser to advertise for, or solicit assignments, in a manner that is false, misleading, or exaggerated.

13

An appraiser must protect the confidential nature of the appraiser-client relationship.

14

An appraiser must act in good faith regarding the legitimate interest of the client and the use of confidential information and in the communication of assignment results.

15

An appraiser must be aware of and comply with all confidentiality and privacy laws and regulations applicable in an assignment.

16

An appraiser must not disclose confidential information or assignment results prepared for a client to anyone other than the client and persons specifically authorized by the client; state enforcement agencies and such third parties as may be authorized by due process of law; or a duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.

17

It is unethical for a member of a duly authorized professional peer review committee to disclose confidential information presented to the committee.

18

An appraiser must prepare a work file for each appraisal, appraisal review, or appraisal consulting assignment. A work file must be in existence prior to the issuance of any report. A written summary of an oral report must be added to the work file within a reasonable time after the issuance of the oral report. An appraiser having custody of a work file must allow other appraisers, with work file obligations related to an assignment appropriate access and retrieval for the purpose:

a. Submission to state appraiser regulatory agencies

b. Compliance with due process of law;

c. Submission to a duly authorized professional peer review committee; or

d. Compliance with retrieval arrangements

The work file must include:

- a. the name of the client and the identity, by name or type, of any other intended users;
- b. True copies of any written report documented on any type of media. A true copy is a replica of the report transmitted to the client. A photo copy or an electronic copy of the entire report transmitted to the client satisfies the requirement of a true copy.);
- c. Summaries of all oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification;
- d. All other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP, or references to the locations of such other documentation; and
- e. A work file in support of a Restricted Appraisal Report or Restricted Appraisal Report – Desktop (one) 1 intended user or Appraisal Report or Appraisal Report – Desktop (more than one (1) intended user must be sufficient for the appraiser to produce a Certified Appraisal Report.

An appraiser must retain the work file for a period of at least five (5) years after preparation or at least two (2) years after final disposition of any judicial proceeding in which testimony was given, whichever period expires last, and have custody of his/her work file, or make appropriate work file retention, access and retrieval arrangements with the party having custody of the work file.

An appraiser must disclose the lack of knowledge and/or experience to the client before accepting the assignment, take all necessary steps appropriate to complete the assignment

competently, and describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

22

The appraiser must disclose any interest the appraiser has in any item(s) being appraised.

23

Upon termination of membership, all materials, i.e., operations manual, pins, plaques, certificates, must be returned to the NEBB Institute. Retiring member must cease using the CMEA professional designation along with removing it from all printed and electronic advertising.

24

Member agrees that he/she will not advertise or state they are a "CMEA" at any time following training until they have been told by the home office that they have successfully passed the required written test and sample appraisal report, and have complied with all other membership requirements including the submission of a biography, photo, and link to the member's website if applicable.

25

The appraiser certifies that he/she has not appraised or had any other involvement within the past three years with the property appraised unless prominently disclosed to the client prior to acceptance of the engagement.

26

Members will not willfully, knowingly, violate the requirements of the record keeping rule, or any other required ethics as mandated by USPAP.

27

The appraiser must disclose that he/she paid a fee or commission or gave a thing of value in connection with the procurement of an assignment. The disclosure will be made on the *Certification page*.

28

The appraiser must sign the Certification of value in the report.

29

The appraiser must include a signed Engagement Agreement within the Appraisal Report.

30

An appraiser will not affix the signature of another appraiser without consent.

31

The Member agrees to not respond to a ListServe request for data collection or assistance with an assignment until such time as the CMEA has been earned.

Use of Forms, Samples, and Other Printed Materials

All sample appraisal reports, forms, contracts, agreements and other documents are provided for the use of NEBB Institute's members. It is recognized that Federal requirements, state laws, and the Uniform Standards of Professional Appraisal Practice, can change. Therefore, these documents and sample reports are only provided as a basic guideline to members. Use of these documents and sample reports implies the user understands these issues and will be solely responsible for their use. Further, each member using these printed materials will hold the NEBB Institute harmless for claims resulting from their use.

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Appraisal Fundamentals

Approaches to Value

Now let's assume you have been asked to perform an actual M/E appraisal. You have inspected the equipment, verified the appropriate data, and listed the data on your data collection forms. You are back at your desk and ready to start determining the value. It is the norm within the machinery and equipment appraisal industry to rely primarily upon the following approaches to value:

- Cost Approach (Also known as Cost Less Depreciation)
- Market Approach
- Income Approach (rarely used)



NOTE

Under USPAP, an appraiser must also consider the Income Approach, at least for a nanosecond. Very rarely is the Income Approach applied for the reason that it becomes almost impossible to track the income and expenses derived from a particular machine.

Cost Less Depreciation

Asks the question: “What does a new machine cost, plus freight, plus installation minus depreciation?”

The Cost Less Depreciation approach should always be applied first because it sets the upper limit of value.



$\text{Cost New (CN) + Freight + Installation - Depreciation = Value}$

Note Example: Factory states equipment is worth \$100,000 and projects freight and installation at \$15,000 BEFORE we apply the Rule of Thumb Rule.

Always use this approach first!

It provides a “ball park” figure and sets the upper limit of value.

Remember: Cost New Sets the Upper Limit of Value

1

We research to find out what a machine would sell for new. The way we do that is by contacting the factory or dealer for the subject item. Use the Internet to locate these sources.

2

It is not too difficult to find a dealer for the equipment who is most anxious to quote prices on his products (it is not always advisable to explain to these salespeople why you are interested in the prices as they might not be as inclined to help you).

3

Oftentimes you will be given an exact replacement cost new for the item you are researching.

4

Be sure to mention any special features or unique characteristics, which should be included.

5

Remember, if pertinent, add the cost of freight and installation or setup to the final cost new (or we could say “*cost new installed*”).

Sometimes, the model you’re looking for is no longer made. Ask the dealer or factory rep what is the “*replacement*” model for the model in question. You will be informed which model is not available and which “*whistles and bells*” have been added. Use your common sense and be sure to document all of these details in your work file.

6

Now, you must factor in depreciation. Oftentimes you can ask the dealers who are pricing the equipment new if they ever see used models sell. A wealth of information can be gained from these salespeople in any particular industry. Use your best judgment.

7

Is the subject item worn out? Does it look bad? Does it look like it is in good condition or bad poor condition? Were their maintenance records observed? Is the machinery being maintained on a regular basis? How would you rate it?

Depreciation

Definition: A loss of value from all causes!

- To lower in estimation.
- To lower the price or estimation of value.

- To fall in value

Three Forms of Depreciation to Consider – All Reflect a Loss of Value

1

Physical Depreciation

Example: DuPont Overhaul, Paint

2

Functional Depreciation

A worn-out machine will not function like it used to when new.

3

Economic Depreciation

Once purchased and taken off the lot/store, it is not worth what was just paid for it. Example: A computer, automobile, etc.

All Based Upon: The Principle of Substitution

Definition: No one will pay more for a used item than they can **substitute** for a new item.

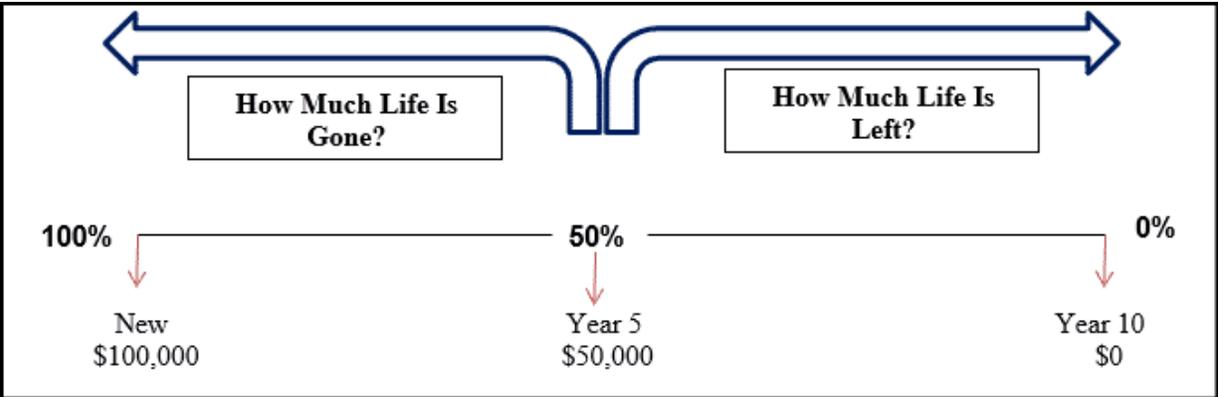
Consider when applying depreciation

1

Age Life Methodology - Actual age versus effective age

2

Effective Age is more important than Actual Age because machines can be rebuilt!



Example: Bull dozer with a cost new of \$100,000

Present Worth Table – Sanity Check for Applying Depreciation

- 1 Use with Cost Less Depreciation Approach
- 2 Used for Fair Market Value which is based upon effective age in years
- 3 Because of maintenance and refurbishment, life expectancy on a machine can be extended.
- 4 The Present Worth Chart provides a “sanity check”.

Instructions for Using Present Worth Rate Table

(Cost New Less Depreciation Approach)

You have learned in the training that there is a rule of thumb that presents itself a good bit of the time. The rule of thumb states, “If an item is in place and working it is usually worth 50% - 60% of Cost New installed.” This rule of thumb continues to hold true. The

following pages contain a present worth rate table for Fair Market Value which is based on effective age in years Remember, it's not how old an item is, but how old an item appears to be. Because of maintenance and refurbishment, life expectancy on machines can be extended.

Find the appropriate category of equipment (example: C-10) then note the average effective age. The average effective age is what machines and equipment in this category are usually like when viewed in an appraisal assignment. Of course, your assignment could have equipment that appears older or newer than the average, so use common sense and prudence. The percentage shown is the value applied to Cost New installed.

As an example, let's say you are looking for asphalt plant equipment (M&E - 7). You may or may not know the actual age of the equipment but remember the average effective age for equipment of this type is usually seven years. Of course, as stated above, your equipment may vary. Go to schedule M&E - 7 on the present rate table for Fair Market Value. Notice that the average equipment with the effective age of seven years is usually valued at .590 or say 60% of cost new installed. If asphalt equipment had a Cost New installed of \$100,000 this example would yield an indication of its Fair Market Value being \$60,000.

Remember, this chart provides a "*sanity check.*" The best approach to value is the Market Data Approach which yields irrefutable defensible data in most cases.

NEBB Institute - Cost Depreciation Schedule

M&E - 3	M&E - 6B	M&E - 7	M&E - 8	R-5	E - 3
<p>Average Effective Age - 3 Years Commercial Lawn Equipment Fishing Equipment Hand Tools Molds, Jigs & Dies</p>	<p>Average Effective Age - 6 Years Agriculture Equipment Alarm/Security Systems Amusement/Theme Parks Automobile Dealers/Repair Banks Barber/Beauty Shops Bars/Lounge Equipment Beverage Production Bowling Alleys Cable/Fiber Optic TV Equipment Car Wash Equipment Chiropractic Equipment Child Care Centers Dental Equipment - General Farm/Grove Equipment Golf Course Equipment Golf Carts Grocery Store Equipment Health Clubs & Spas Hospital Furnishings & Equipment Hotel/Motel Furnishings Laboratory Equipment Laundry Equipment Leasehold Improvements Medical Clinic Equipment Medical Equipment - General Model Home Furnishings Nursing Homes Office Furniture, Fixtures & Equip. Pest Control Equipment Physicians Equipment Restaurant & Bar Equipment Satellite Dish Service Station Equipment Signs Theater Equipment Vending Machines Walk-in Coolers/Freezers X-Ray Equipment</p>	<p>Average Effective Age - 7 Years Asphalt Plants Bakeries/ Confectionary Production Banking Equipment Boat/Ship Manufacturing Brewery/ Distillary Equipment Cable Distribution Equipment Canneries & Frozen Food Production Cold Storage & Ice Making Equip. Cement/Concrete Plant Dairy Production Manufacturing Fabricated Metal Products Food/Beverage Production Machine Shops Manufacturing Equipment Meatpacking Equipment Mortician Equipment Motion Picture & TV Production Newspaper/Magazine Publishing Packing House Equipment Plant Equipment Printing/ Publishing Reference Books/ Library Scientific Equipment Surveying Equipment Veterinary Equipment</p>	<p>Average Effective Age - 8 Years ATMs Camera Equipment CAD Equipment Contractors Equipment Construction Equipment Dialysis Equipment Fast Food Equipment High-Tech Medical Equipment Mailing/Postage Equipment Mammography Equipment Mobile Radios Phone Systems Photo Processing Equipment Pressure Cleaning Equipment Ultrasound Equipment Video Equipment</p>	<p>Average Effective Age - 5 Years Rental & Household Goods</p> <hr style="border: 1px solid black;"/> <p style="text-align: center; background-color: #2c3e50; color: white;">T - 5</p> <p>Average Effective Age - 5 Years Telecom Equipment - Various</p> <hr style="border: 1px solid black;"/> <p style="text-align: center; background-color: #2c3e50; color: white;">T - 8</p> <p>Average Effective Age - 8 Years Telecom Equipment - Communications Antenna</p> <hr style="border: 1px solid black;"/> <p style="text-align: center; background-color: #2c3e50; color: white;">T - 10</p> <p>Average Effective Age - 10 years Telecom Equipment - Towers</p> <hr style="border: 1px solid black;"/> <p style="text-align: center; background-color: #2c3e50; color: white;">T - 20A</p> <p>Average Effective Age - 20 Years Telecom Equipment - Power Equip.</p> <hr style="border: 1px solid black;"/> <p style="text-align: center; background-color: #2c3e50; color: white;">T - 20B</p> <p>Average Effective Age - 20 Years Telecom Equipment - Conduit & Cable</p>	<p>Average Effective Age - 3 Years Cellular Phones/Smart Phones Digital Cameras Laptop Computers Personal Computers TV's Electronics - Various</p> <hr style="border: 1px solid black;"/> <p style="text-align: center; background-color: #2c3e50; color: white;">E - 5</p> <p>Average Effective Age - 5 Years Mainframe Computers Peripheral Computer Equipment POS Equipment Software - Non Exempt</p>
<p style="background-color: #2c3e50; color: white; text-align: center; font-weight: bold;">M&E - 5</p> <p>Average Effective Age - 5 Years Retail Trade Fixtures Wholesale Trade Fixtures Rental & Household Goods</p>					
<p style="background-color: #2c3e50; color: white; text-align: center; font-weight: bold;">M&E - 6A</p> <p>Average Effective Age - 6 Years CAT/CT Scanners Copy Machines Credit Card Machines MRI Machines</p>					
			<p style="background-color: #2c3e50; color: white; text-align: center; font-weight: bold;">M&E - 12</p> <p>Average Effective Age - 12 Years Barges Billboards Draglines Silos Storage Tanks</p>		
			<p style="background-color: #2c3e50; color: white; text-align: center; font-weight: bold;">M&E - 15</p> <p>Average Effective Age - 15 Years Pipeline</p>		
			<p style="background-color: #2c3e50; color: white; text-align: center; font-weight: bold;">M&E - 20</p> <p>Average Effective Age - 20 Years Safes Safety Deposit Boxes Vault Doors</p>		

Every effort has been made to produce and publish the most current and accurate information possible. No warranties, expressed or implied, are provided for data herein. All factors on this page are subject to change without notice. All data shown is derived from experience of contributing appraisers. It is understood this data provides a basic "sanity check" and should be compared to the Market Data Approach if possible.

NEBB Institute - Cost Depreciation Schedule

Effective Age in Years	M&E-3	M&E-5	M&E-6A	M&E-6B	M&E-7	M&E-8	M&E-12	M&E-15	M&E-20	R-5	T-5	T-8	T-10	T-20	T-15	T-20A	T-20B	E-3	E-5
1	0.8500	0.9100	0.8700	0.9200	0.9400	0.9000	0.9700	0.9800	0.9800	0.9200	0.8700	0.9000	0.9500	0.9400	0.9700	0.9700	0.9900	0.7060	0.8352
2	0.7450	0.8856	0.7884	0.9072	0.9396	0.8532	0.9600	0.9800	0.9800	0.8400	0.7300	0.7900	0.8500	0.8700	0.9200	0.9200	0.9700	0.4620	0.6716
3	0.5820	0.8064	0.6384	0.8512	0.8960	0.7504	0.9600	0.9800	0.9800	0.7600	0.5586	0.6566	0.7350	0.7840	0.8624	0.8624	0.9310	0.2800	0.4788
4	0.3876	0.6954	0.4674	0.7638	0.8322	0.6156	0.9500	0.9700	0.9700	0.6700	0.3936	0.5184	0.6336	0.7008	0.7968	0.7968	0.8928	0.1250	0.3116
5	0.2650	0.5865	0.3450	0.6670	0.7590	0.4945	0.9200	0.9600	0.9700	0.5800	0.2820	0.4042	0.5264	0.6204	0.7332	0.7332	0.8554	0.0940	0.1980
6	0.2070	0.4756	0.2668	0.5684	0.6728	0.3828	0.8700	0.9558	0.9700	0.4900	0.2139	0.3069	0.4371	0.5394	0.6789	0.6789	0.8277		0.1380
7	0.1960	0.3894	0.2204	0.4602	0.5900	0.3068	0.8500	0.9317	0.9558	0.3900	0.1767	0.2366	0.3549	0.4550	0.6279	0.6279	0.7917		0.1140
8		0.3068	0.2090	0.3540	0.5074	0.2596	0.8100	0.8954	0.9204	0.3000				0.1980	0.2880	0.3870	0.5760		0.7650
9		0.2618		0.2856	0.4284	0.2360	0.7700	0.8540	0.8925	0.2400				0.1800	0.2250	0.3240	0.5400		0.7470
10		0.2380		0.2541	0.3509	0.2240	0.7260	0.8125	0.8591	0.2100					0.1729	0.2639	0.5096		0.7371
11		0.2260		0.2373	0.2928		0.6710	0.7686	0.8296	0.2000					0.1380	0.2208	0.4784		0.7268
12				0.2360	0.2794		0.6350	0.7524	0.8128							0.2024	0.4416		0.7084
13					0.2540		0.5850	0.6968	0.7800							0.1880	0.4136		0.7050
14					0.2460		0.5320	0.6528	0.7448							0.1880	0.3895		0.6935
15							0.4725	0.5891	0.7020								0.3515		0.6745
16							0.4278	0.5600	0.6624								0.3298		0.6693
17							0.3807	0.5148	0.6204								0.3007		0.6499
18							0.3576	0.4832	0.5811								0.2800		0.6500
19							0.3432	0.4424	0.5304								0.2500		0.6300
20							0.3200	0.3975	0.4740								0.2300		0.6100
21							0.3100	0.3657	0.4452								0.2000		0.5900
22							0.2980	0.3423	0.4238								0.2100		0.5700
23								0.3260	0.4150								0.2000		0.5500
24									0.3933										0.5300
25									0.3850										0.5100
26									0.3675										0.4900
27																			0.4700
28																			0.4500
29																			0.4300
30																			0.4100
31																			0.3900

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Question: What is subjective about the Cost Approach?

Answer: Determining Depreciation

All CMEA's are artists.



Sanity Check Example: It is *not* how old a piece of equipment is, but how old a piece of equipment *appears* to be!

Market Data Approach

States: “Let’s go to the marketplace and see how much others like our subject are selling for.”

There are 2 methods to consider under the Market Data Approach:

Items That Have Sold

- 1 Always rely on this method above the others, if there is solid data, it is irrefutable.
- 2 If you cannot find “sold” comparables, you must do the next best thing... try to find similar items “for sale”.

Items That Are for Sale

- 1 This is an approach where we attempt to find other similar models that have actually sold in the marketplace.
 - 2 Remember, talk to people who can refer you to other people. Talk to them, and after a few phone conversations, you will gain a wealth of information about used models in the marketplace.
 - 3 It is best, if you can, to find three comparables for each item to be appraised. There are, oftentimes, pricing guides that enable you to do this as well as the Internet.
-

4

Remember, if it is not possible to find data and sales information on sold units, you must use your prudence and common sense.

5

The marketplace will usually begin to give you a feel for the value of a particular item if you talk to enough knowledgeable people. A salesperson may say, *“Yes, we had a used model just like the one you’re looking for that sold last week. It sold for \$65,000 here in Indiana. I saw one sell last year for \$60,000.”*

6

It is best to find three (3) or four (4) comparables or, until you feel *“comfortable”* with the value.

7

Be sure to document all of your conversations into your notes for your work file. Write down whom you talk to, their phone number, the company they work for and even the day and time you had the conversation. This could be very beneficial later when explaining (or defending) your estimate of value.

8

If you can’t find Market Data, where do you hang your hat?

Answer: Cost Less Depreciation.

Comparables

There are three (3) ways to look at comparables:

1

Mean – Average

2

Median – The number in the middle

3

Mode – The number that is listed the most

\$10,000	}	What is the mean? \$ _____ What is the median? \$ _____ What is the mode? \$ _____
\$10,500		
\$12,000		
\$11,000		
\$10,000		
\$11,500		
Which value is accurate? <i>Answer: They all are!</i>		

Example: 6 comparables located on a piece of equipment.

Income Approach

Very rarely used by machinery and equipment appraisers. There are two methods under the Income Approach:

- 1 Straight capitalization (IRV)
- 2 Discounted future cash flow (DFCF)

Straight Capitalization (IRV)

Income ÷ Rate = Value

Example: $\$100,000 \div 25\% = \$400,000$

Discounted Future Cash Flow (DFCF)

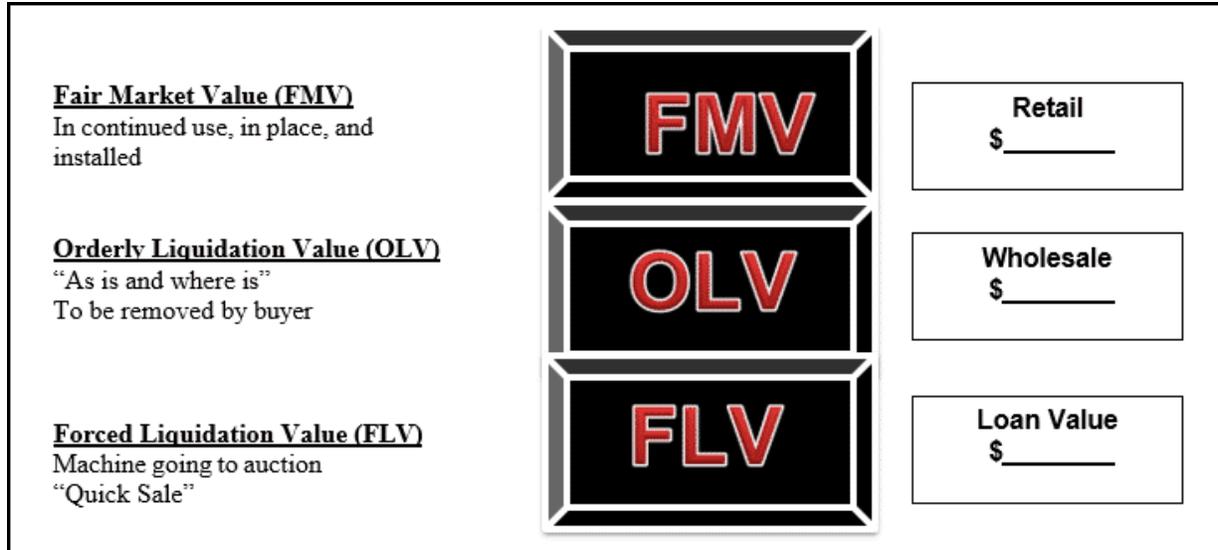
Income ÷ Rate = Value

Example: $\$100,000 \div 25\% = \$400,000$

- 1 Becomes a “mini” business valuation.
- 2 Must be able to track income and expenses derived from a specific machine.

Example: How much money is made from a forklift? Can the income and expense stream be tracked?

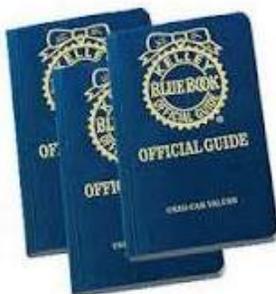
Levels of Trade



Notice: The drop-in value between the levels of trade – they drop by half

Example: Kelley Blue Book

20xx Mercedes CL Class Coupe, 50,000 miles 4matic coupe, 2 door

• Excellent	\$54,765	
• Very Good	\$53,365	
• Good	\$51,765	
• Fair	\$47,665	

Orderly Liquidation and Forced Liquidation

Time and Circumstances

- **Orderly Liquidation:** Scheduled on a certain date and time
- **Forced Liquidation:** Going to auction and all items to be sold now

Level of Trade Definitions

The following values are defined in the publication *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery & Technical Assets*, Third Edition, by the American Society of Appraisers.

1

Fair Market Value is an opinion expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or

to sell and both having reasonable knowledge of relevant facts, as of a specific date.

2

Fair Market Value - Removed is an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, considering removal of the property to another location, as of a specific date.

3

Fair Market Value in Continued Use is an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date and assuming that the business earnings support the value reported, without verification.

4

Fair Market Value - Installed is an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts, considering market conditions for the asset being valued, independent of earnings generated by the business in which the property is or will be installed, as of a specific date.

5

Orderly Liquidation Value is an opinion of the gross amount, expressed in terms of money, that typically could be realized from a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis, as of a specific date.

6

Forced Liquidation Value is an opinion of the gross amount, expressed in terms of money, that typically could be realized from a properly advertised and conducted public auction, with the seller being compelled to sell with a sense of immediacy on an as-is, where-is basis as of a specific date.

7

Liquidation Value in Place is an opinion of the gross amount, expressed in terms of money, that typically could be realized from a properly advertised transaction, with the seller being compelled to sell, as of a specific date, for a failed, non-operating facility, assuming that the entire facility is sold intact.

8

Salvage Value is an opinion of the amount, expressed in terms of money, that may be expected for the whole property or a component of the whole property that is retired from service for possible use, as of a specific date.

9

Scrap Value is an opinion of the amount, expressed in terms of money, that could be realized for the property if it were sold for its material content, not for a productive use, as of a specific date.

10

Insurance Cost New is the replacement or reproduction cost new as defined in the insurance policy less the cost new of the items specifically excluded in the policy, as of a specific date.

11

Insurable Value Depreciated is the insurance replacement or reproduction cost new less accrued depreciation considered for insurance purposes, as defined in the insurance policy or other agreements, as of a specific date.

Determining Condition

The value of equipment is also based on the condition of a piece of equipment. The host determines the condition of the equipment through discussions during the data collection procedures and as defined within the Scope of the assignment.

Since CMEA's are not mechanics, we are the experts at determining value. Therefore, CMEA's only CERTIFY values ... not condition or inspect the equipment for work ability.

Remember, if we are unable to determine a machine's condition:

- 1 Remind the client we are Appraisers, Not Operators or Mechanics!
- 2 Ask the operator or owner, what's the condition?
- 3 Ask the owner or host if you can see the maintenance records.
- 4 A "Picture Is Worth A 1,000 Words".
- 5 Reach out to a *Dealer* or *Manufacturer*. They are usually the best one to tell you how long a machine will last.

What other questions should a CMEA ask in order to determine and document condition? Discuss these topics with a host, manager, or owner:

- Is this machine working well?
- Does it need anything presently?
- Has any major repair been done lately?
- Is there a regular service schedule on this machine?
- Have there been any upgrades made?
- Have there been any special accessories added?
- Do you keep maintenance records?
- If so, can I get a copy?

Condition Terms & Definitions

What other questions should a CMEA ask in order to determine and document condition? Discuss these topics with a host, manager, or owner:

Very Good (VG)

This term describes an item of equipment in excellent condition capable of being used to its fully specified utilization for its designated purpose, without being modified and not requiring any repairs or abnormal maintenance at the time of inspection or within the foreseeable future.

Good Condition (GC)

This term describes those items of equipment which have been modified or repaired and are being used at or near their fully specified utilization, but the effects of age and/or utilization indicate that some minor repairs may have to be made or that the item may have to be used to some slightly lesser degree than its fully specified utilization in the foreseeable future.

Fair Condition (FC)

This term describes those items of equipment which are being used at some point below their fully specified utilization because of the effects of age and/or application and which require general repairs and some replacement of minor elements in the foreseeable future to raise their level of utilization to or near their original specifications.

Poor Condition (PC)

This term is used to describe those items of equipment, which can only be used at some point well below their fully specified utilization, and it is not possible to realize full capability in their current condition without extensive repairs and/or replacement of major elements in the very near future.

Scrap Condition (X)

This term is used to describe those items of equipment which are no longer serviceable, and which cannot be utilized to any practical degree regardless of the extent of the repairs or modifications to which they may be subjected. This condition applies to items of equipment which have been used for 100% of their useful life or which are 100% technologically or functionally obsolescent.



NOTE

"Excellent is not used in the world of equipment appraisal!"

Commonality

Specific information found on most of all machines:

1

Manufacturer

2

Model

3

Serial number

4

Year

Data Collection Form: Part A

Item Number	#
Type	
Manufacturer	} Commonality
Model No.	
Serial No.	
Condition:	
<ul style="list-style-type: none"> ▪ Is this machine working well? ▪ Does it need anything presently? ▪ Has any major repair been done lately? ▪ Is there a regular service schedule on this machine? ▪ Have there been any upgrades made? ▪ Have there been any special accessories added? ▪ Do you keep maintenance records? ▪ If so, can I get a copy? 	
Comments	
When Purchased	
Purchased New or Used	
Amount Paid	
Estimated FMV	
Source	Information

Capital Equipment and "The Other Stuff"

Capital equipment can be best identified as any equipment that has an original cost new of \$2,500.00. Each piece of capital equipment of an assignment undergoes data collection procedures identified on the Data Collection Form – Part A. Each piece of capital equipment is to be a line item on the Capital Equipment page of the Certified Appraisal Report identified under its specific level trade requested at the outset of the assignment.

Example: Fork lift, Tractor, Dump Truck, Cessna Airplane, High Loader, MRI, CNC Machine

“*The other stuff*” is defined as items that are below the threshold of a cost new price of \$2,500. Yes, the “*other stuff*” has value; however, it is not “*capital*” in nature. Not all appraisals require including “*the other stuff*”. It is an industry norm to combine similar or like items together and value in a lump sum without a line item for each of the following categories:

1

Shop Support and Ancillary Items

Example: inspection tools, shelving, racks, carts, tooling, small hand tools, small grinders, small drills, welders, cleaning equipment, lockers, miscellaneous shop items.

2

Furniture, Fixtures and Equipment

Example: Desks, file cabinets, credenzas, chairs, conference tables, dividers, lamps, tables, book cases, miscellaneous office furnishings.

3

Electronic Support Items

Example: Computers, software, printers, copiers, , telephone system, security system, miscellaneous electronic items.

How to Value Shop Support/Ancillary, Furniture/Fixtures, and Electronic Support Items

1

Obtain the Depreciation Schedule for the business.

2

Note the date on the Schedule.

3

Place a check for each piece of capital equipment. Any item of equipment that exceeds an original cost new of \$2,500.00.

4

Color code the Depreciation Schedule breaking down the appropriate “*other stuff*”.

5

Once you have identified the specific categories on the Depreciation Schedule, apply our Top Secret Rule of Thumb to the total value of each section to value as a whole.

Shop Support / Ancillary Items

Yellow
Highlighter

Furniture, Fixtures and Equipment	Orange Highlighter
Electronic Items	Blue Highlighter

Valuing	Percentage
Shop Support / Ancillary	% of what it costs new
F/F/E	% of what it costs new
Electronic	% of what it costs new
Or.... Take	% of TOTAL FMV of Capital equipment

Application of Heuristics

The word comes from the same Latin word meaning “Eureka” or “I found it”!



Example: How do you know when to swing at a baseball bat?

Answer: You just “know”!

Your friend calls...*“I’m driving about 50 mph average, and I should be there in a couple of hours.”* How far away is your friend?

Answer: About 100 miles

Special Equipment Considerations

Sometimes a model is no longer made. Two ways in which to determine value:

1

Direct Match – Newer model

Example: A new 1/2 ton Ford pick up

2

Comparable Match – Ask dealer or manufacturer, “*what provides the same utility*”.

Example: A new 1/2 ton GMC pick up

Differentiate between a Component, Micro, and Macro item

Example: The yard truck – used within a business to transport equipment within the yard.

The “*Yard Truck*” – Truck, fuel tank, compressor, welder generator, hoist

- May not be road worthy;
- May not have license tags;
- Could have a number of different types of equipment for the type of business.





Truck



Welder Generator



Compressor



Fuel Tank

“Micro” or “Component” Identification

(Remember the word “Microscope”)

Identical meanings - Appraise each item as a single piece of equipment.

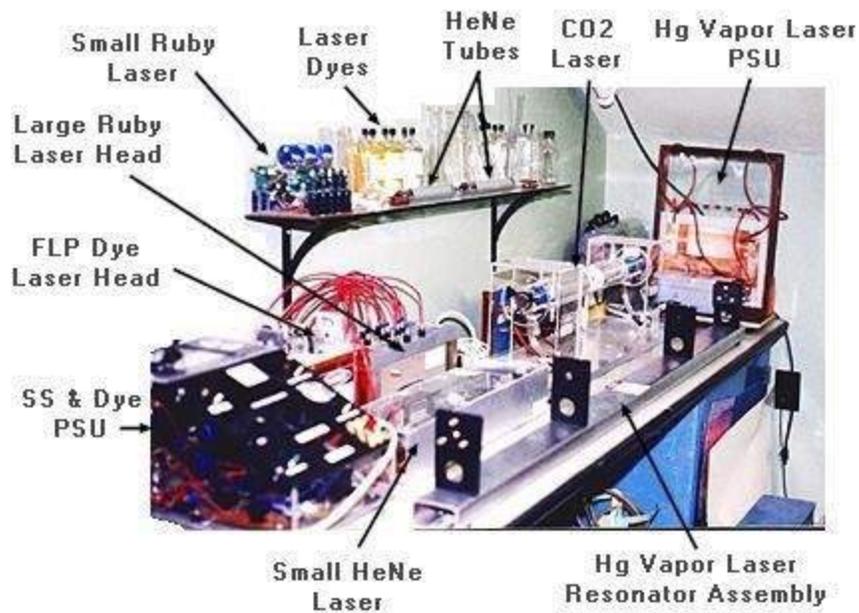
Example: Truck, Fuel Tank, Compressor, Welder Generator

“Macro” Identification

Appraise as one item – The yard truck

Shop Built Equipment

- Built specifically by the company to serve a specific purpose.
- Machine that is probably built on location by the owner of the machine or the user of the machine.
- Probably is not another comparable item. Consider the “*cost to create*” approach. In other words, what did it cost to build the machine? The “*cost to reproduce*” approach is used when there is no records available.





Designed and built on Marcin Grabowska's farm. This tractor cost is far less than a commercial tractor. He built the tractor from scratch, using square steel tubing that he bolted together.



The coin room in the old Mint Las Vegas in 1967 – Shop built equipment!

Fixtures

The fixture might be equipment; however, it is not appraised because it stays with the real estate. Example: furnace, air conditioner, lights, etc.

Trade Fixture

Any equipment that goes with the business. Example: barber chair, cooking table,

Replacement Cost

- Current cost of replacing a fixed asset with a new one of equal effectiveness.
- What it costs to replace a structure with a similar type of construction.

Reproduction Cost

- Cost of exact duplication of a property. Example: Old Victorian house
- Differs from replacement in that replacement requires the same functional utility for a property, whereas reproduction is an exact duplication.

CONTINUE

Data Collection

When you collect data, dress appropriately.

- No suits / ties / scarves
- No jewelry (you could get hung up on a machine)
- No frayed clothing
- Jeans are typically acceptable
- Wear or have with you proper PPE (Personal Protective Equipment) - Gloves, Safety Glasses, Safety Vest, Hard Hat, Boots (For oilfield appraisals you will need FR gear also)

Also, you will need to arrange for a host, manager, or owner to accompany you throughout the data collection process. There are several reasons for this.

- Machine identification
- Provides condition information

- Provides information specific to each machine (e.g., repairs, maintenance, purchased new/used, etc.)
- Data collection will be more accurate and hasten the collection procedure.

Before you begin the data collection process, be sure to make certain you are ready by using the checklist below:

	Description	
	Host identified, date and time to begin data collection	
	Become familiar with the equipment before data collection	
	Tool Box / Tool Belt/ Vest / Back Pack Ready	
		Items to Include
		House numbers (2 sets of 1-10)
		Camera / batteries / memory card(s)
		Data Collection Sheets (PART A)
		2 Clipboards
		Tape Measure

		Depreciation Schedule / Inventory List
		Flash Light
		Extra Pens / Pencils
		Rag
		Wire Brush
		Machinery Stickers
		Safety Goggles
		Ear plugs
		IPad/Tablet
		Hard hat

We strongly encourage you to always have a “host” view the equipment with you during the data collection process. You will find data collection easier and the information you obtain beneficial once you return to your office to research and value the equipment. The host can be the owner, manager, shop foreman, the person who is most familiar with the equipment.

Although not always possible, the best time to view the equipment is after hours, before work, weekends. The host is uninterrupted and the machines are quiet.

Remember...CMEA's do not CERTIFY the workability of a piece of equipment. CMEA's CERTIFY values!

Record data on Part A of the Data Collection Sheet – ONE SHEET PER ITEM!

- Item No. (number corresponds to the Depreciation Schedule and photo)
- Type (define the type of machine it is – Example: Dozer, Press, etc.)
- Manufacturer
- Model No.
- Serial No.
- Record any comments: hours, dings, attachments, etc.

Ask your host the following questions to determine condition:

- 1 Is this machine working well?
 - 2 Does it need anything presently?
 - 3 Has any major repair been done lately?
 - 4 Is there a regular service schedule on this machine?
 - 5 Have there been any upgrades made?
-

- 6 Have there been any special accessories added?
- 7 Do you keep maintenance records?
- 8 If so, can I get a copy?

You may also be able to retrieve the following information from the host:

- 1 When was the machine purchased?
- 2 Was the machine purchased new or used?
- 3 Amount paid
- 4 Estimated FMV
- 5 Manufacturer or Reseller contact info

It is very possible that you will see additional pieces of capital equipment that were not listed on the Depreciation Schedule. This is one reason why you will want to carry with you additional Data Collection Forms.

- 1 Ask the host if the item is to be included within the appraisal.
- 2 Inform the client that there are additional pieces of capital equipment that were not included on the Depreciation Schedule.
- 3 Provides the CMEA with an opportunity to “*upsell*” and adjust the fee that is approved by the client. Be sure to obtain a new signed

Engagement Agreement or adjust the current one to reflect the new total fee.

What about the equipment that is missing on the premises but is still reflected on the Depreciation Schedule?

1

Find out from the host where the equipment is. It might be sold, broken, etc. Note your data collection sheet and disclose the information within the Report.

2

If the equipment is not on the premises; however, it is at another location, perform data collection on the premises where the equipment is located and disclose this fact within the Report.

Photographs are not required by USPAP; however, photographs substantiate the make, model, existence, attachments, serial numbers, and condition of the equipment. Take as many photographs of a piece of equipment until you “*feel*” comfortable. Be sure to take your time and capture clear, neat pictures.

1

Items numbers on the photographs makes identification easier when you return to the office.

2

Clients like to see the equipment that was valued.

CONTINUE

Restricted Appraisal Report - CMEA Protections Within the Certified Report

Examination of Our Certified USPAP Compliant Appraisal Reports

First, what is the difference between an Appraisal Report and a Restricted Appraisal report? This can be extremely confusing, to say the least. So now would be a good time to review through section 8 of USPAP.

For starters, it really comes down to the amount of content in the report. A Restricted Appraisal Report is a type of appraisal report that is limited in content and use. It is a written statement that sets forth the appraisers' findings, analysis and conclusions. Generally, it will not include as much detail or explanation as a full Appraisal Report. These are not usually used for lending or litigation purposes. Generally, they are only used when it is solely for a client's personal use. One common misconception is that a restricted Appraisal Report is for a single intended user whereas an Appraisal Report is for multiple intended users. However, both types of appraisals can have multiple intended users. Additionally, for a Restricted Appraisal Report you must:

- State the identity of the Client and state the identity of any other intended user(s) by name.
- Clearly and conspicuously state a restriction that limits the use of the report to the client and the named intended user(s) and,
- Clearly and conspicuously warn that the report may not contain supporting rationale for all of the opinions and conclusions set

forth in the report.

- Maintain a workfile that includes sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7 of USPAP and for the appraiser to produce an Appraisal Report.

For an Appraisal Report:

- The appraiser must summarize the information analyzed and the reasoning that supports the analysis, opinions, and conclusions, including reconciliation of the data and approaches.
- State the identity of the Client and state the identity of any other intended user(s) by name or type.

One of the benefits of becoming a NEBB Institute Member and earning the CMEA professional designation is access to the Appraisal Report template. The Reports are unlike any other with the M/E appraisal industry insofar as it is provided to you, you don't need to re-create the wheel hoping you'll comply with USPAP Standards 7 and 8 requirements.

The Reports contain the following:

1 **Boilerplate language:** Written to meet the elements of Standards 7 & 8. We would encourage you to retain all boilerplate language typed in black.

2 **Red typing:** Items for you as an Appraiser to address or delete.

3

Green typing: Language that should be used for desktop appraisals.

4

Blue typing: Items within the Report for you to consider as the Appraiser to be certain you have addressed all applicable information within the scope of your assignment.

As we have discussed, a CMEA does not certify condition but only values. We are not mechanics or inspectors. The following sections within our Certified Appraisal Report will protect the CMEA from any misunderstanding with the client.

Let's review the Sections within the Appraisal Report.



Appraisal Report Template_rev 7.24.docx
936.1 KB



NEBB Institute - Engagement Agreement.docx
43.6 KB



NEBB Institute - Data Collection Form.docx
39.8 KB



CONTINUE

Evening Homework

At the conclusion of the first day of training, we will discuss your homework assignment. You will want to wait until the conclusion of class to obtain additional directions that are not contained within this section.



NEBB CMEA - Evening Homework.docx
187.7 KB



CONTINUE

Finding Equipment Values

Where can you find equipment values?

- 1 Dealer
- 2 Manufacturer
- 3 Internet Searches (ie; machinerytrader.com, truckpaper.com, equipmenttrader.com)

Scripts

Let's role play how you can also find equipment values.

- 1 Indirect Approach
- 2 Direct Approach

(Telephone) Hello, E&S Equipment, Bob Jones speaking.

Hello, Mr. Jones. My name is James Russell. I'm with (your Company name). I found your website on the Internet and I see that you're an expert in the forklift industry. I'm trying to find a Caterpillar model GC25, preferably around 5 years old. Do you have anything available?

Well, I don't have a GC25 right now, but I could probably find one for you. How fast do you need it?

Well, we'd like to make a decision soon. Can you tell me what I might expect in price and delivery?

Sure, a GC25 that's about 5 years old would cost you somewhere in the ballpark of \$7,000 to \$9,000 depending on features.

Tell me, Mr. Jones, because I don't know a lot about this type of thing – how much would I be saving from cost new. Do you know approximately what a new one costs?

This particular model sells for about \$20,000, so you would be saving a little more than half.
Can you tell me the exact features you're looking for and I'll see what I can find for you?

Let me get that info from my boss (or client) and let him know the approximate price and I'll get back to you.

Other Option for Getting Price New: Call manufacturer or dealer directly (Direct Approach)

Caterpillar of Arizona, this is Jim. Can I help you?

Hello Jim. My name is Kent Green and I do machinery and equipment appraisals. I'm trying to find out if a GC25 forklift is a current model and what a brand new one sells for.

Do you know what options your machine has?

I sure don't Jim. I just know that it's 5 years old and the client paid \$16,000 for it back in 2005. Maybe you can tell me the price of a standard GC25.

Ok, a new GC25 starts at \$19,000 and can go up to \$22,500.

Sounds like maybe you've had a price increase since 2005.

Yes, prices have gone up since then.

Well, thank you Jim. This is just what I needed. By the way, you don't by chance sell used forklifts, do you?

We do sell a few used forklifts, as well as refurbished ones.

Oh, do you have any idea what a 5-year-old GC25 would sell for?

Actually, we just sold a 2005 GC25 last month for \$9,000 that was in excellent condition.

Fantastic, that information helps me a lot. Thanks so much for your time.

Note

When talking to a larger company as in the case of a manufacturer or dealer, it doesn't hurt to let them know that you're an appraiser. These people are often "*shopped*" by their competitors for prices and if you don't let them know your purpose, they get suspicious.

CONTINUE

Bidding an Assignment

Pursuant to antitrust laws we have previously discussed, NEBB Institute will not set or suggest a CMEA's assignment fee. Each CMEA personally evaluates and determines what their fee will be for each assignment.

Assignment fees can be determined by:

- 1 Per piece of capital equipment; or
- 2 Hourly rate; or
- 3 Day rate; or
- 4 Any other personal determination.

As directed by USPAP Pursuant to USPAP as well as ethical considerations, a CMEA is **NEVER PERMITTED** to charge a fee based on a **percentage of the equipment's value**.

What is considered "capital equipment"?

Any item that has an original cost new of at least \$2,500.00. For example:



A High Loader



Cessna



Dump Truck



Material Handling

How do you bid the assignment? Let's review the Script: *"Selling an Assignment"*. Review, review, review the script often. Review will be beneficial because when the prospect calls, you will know what to say!

It is important to note the following:

1

NEVER bid an assignment when a prospect calls or asks you, *"How much will the appraisal cost?"* The prospect will attempt to pressure you for a price. Do NOT fall in this trap because you will lose the assignment. Just like the script, request to review the Depreciation Schedule. If the client does not have a Depreciation Schedule available, you may be required to work from a listing of equipment. Note that it is always best to obtain the Depreciation Schedule whenever possible.

2

Once you have the Depreciation Schedule, place a check by each item in excess of \$2,500.00. Be careful that you are not including items which are real estate and remain with the business. For example: Air conditioner, attached tanks, etc.

3

Determine how you are going to charge based upon the scope, travel, levels of trade, number of items, time involved, etc.

4

If in doubt, until you feel comfortable, please feel free to contact the NEBB Institute. We will be glad to be your sounding board before you bid an assignment. Please provide us with the Depreciation Schedule so we will be able to discuss the assignment with you. We can act as your “*partner*” and sell the job for you. We’re just a phone call away to assist you.

5

If the prospect requests you to appraise fine art, collectables, antiques, or jewelry, unless you have a professional credential to appraise such items, please contact the NEBB Institute and we will assist you in locating a qualified professional to appraise such items.

6

If you are called upon to appraise aircraft, unless you are a pilot, inspector, or mechanic with experience or knowledge of aircraft, the NEBB Institute encourages each Member to contact a Member Specialist who can partner with you. Aircraft have many component parts such as complex avionics and other nuances that require a special level of expertise.

7

If you ever feel unqualified to bid, sell, or find an appraisal difficult, please call the NEBB Institute, we’re here to assist you.

Charging for the “*Other Stuff*”

Those items that are not capital equipment, it is an industry norm not to charge for the time spent to value these items. You will want to refer to the “*Selling an Assignment Script*” for additional discussion on this section.

The Depreciation Schedule will make valuing the “*other stuff*” as well as our “*top secret rules of thumb*” a very quick process.

Turn the page to see the Depreciation Schedule and how this all easily comes together. What about going to court? Let’s role play “*Court Testimony*”.



NEBB CMEA - Depreciation Schedule.docx

76.2 KB



Script: Selling an Assignment for A Machinery/Equipment Appraisal

9 A.M....

(Telephone) Hello, Professional Business Services, Jeff Davis speaking.

Hello, my name is Jack Ryan; I'm over at the 1st National Bank.

Yes, Mr. Ryan. What can I do for you?

I understand you're an appraiser of machinery and equipment.

Yes, Mr. Ryan, we are certified to do machinery/equipment appraisals.

Ok, well I have a need. We're doing a business loan over here at the bank on a machine shop. And we need to know the value of the equipment in that shop.

I understand. We and our associate offices perform appraisals all over the country just like you're requesting. Is the shop located nearby?

Yes, it's in a smaller community about 15 miles away. What's an appraisal cost?

Mr. Ryan, before I can answer that question, I need to know a little bit more about the assignment. Obviously, a longer list of equipment takes longer to do and costs more professional time than a shorter list would.

That makes sense.

Yes, you see typically what we do is we ask that you email us the current depreciation schedule and any other lists of the equipment you may have. When I get that list, I immediately begin looking the list over for the items that may not need to be certified.

Ok, what do you mean by that?

That means smaller items of supporting nature may not hold the value that would merit the time and expense of an appraisal. Now, don't misunderstand – we include all of the items in the shop, but like I said, many are only of supporting or peripheral nature, and for those we use industry depreciation standards, historical metrics and bulk pricing. Usually, we are asked to focus on just the larger items that had an original cost of \$2,500 or more.

Yes, that makes sense. I know that there are many small items in that shop, and there is office furniture and fixtures as well. You know, desks, file cabinets, fax machines, etc.

Well, what you folks are probably interested in at the bank is what the major equipment out there in the shop is truly worth.

Yes, that's where the big dollars are, that's what we're most focused on.

We understand and, again, we will include the smaller items. But I would like to see the number of larger items and then I can price the job to you.

Ok, I have that information and will have it sent to you in a few minutes.

Later that day....

Mr. Ryan, this is Jeff Davis. I've looked that list over and I have some suggestions for you.

Ok, what do you see?

Actually, you have about 150 items on the list, but as we discussed earlier today, I don't think it's necessary to put a certified appraisal on each item. Usually, the bank examiners, the IRS, SBA and other government agencies we work for only want to see the larger items and they will allow us to use industry depreciation standards on smaller items.

Yes, I understand.

Now with that in mind, I see 50 items on the list that would typically be part of a certified appraisal. The way we charge is based on \$ per machine, (or you may charge an hourly fee, or any way that you like – but not a percentage of your appraisal value.) That would bring the cost of the job to \$.

Ok, but what about the smaller items?

Well, as I mentioned they are going to be valued on industry depreciation standards and we include those at no cost. We do use bulk pricing, so there is not a lot of detail provided on those smaller support items.

So, \$___* would be the cost of the appraisal? What else do we do and what else do I need to know?

We have an engagement agreement we will put together and get right over to you and have you send back with your signature. Upon receipt of that, I would need a contact name and number for who to contact about actually viewing the equipment.

Ok, we'll do that. You can talk to Jack Evans at the shop as he's the maintenance man, and he'll make the appropriate arrangements for you to see the equipment.

We'll call Mr. Evans for an appointment. Usually we like to do a shop in the evenings. It is less disruptive to the employees, and quite honestly, it's quieter and easier to hear when the machines are turned off, and we can inspect the equipment.

What do you do when you look at the equipment?

We will look the equipment over, photograph it, document the manufacturer, the model, serial number, age and condition. I'm assuming Mr. Evans knows the equipment well and can answer any questions we may have.

Yes, He's been there for years. Those machines are his babies. How long will you be on the premises?

For 50 items, we should be on the premises for three to four hours. Most of our work is performed back at the office after the data has been collected.

Yes, I can appreciate that. I'm going to inform them you will be calling, and when you have your report completed, just submit it to the bank with your bill and we will see that you're paid.

Thank you, Mr. Ryan, I appreciate getting to visit with you and working for you. I'll deliver the report myself and go over it with you in detail when it's completed.

CONTINUE

Machinery / Equipment Appraisal - Recap

Now let's assume you have been asked to perform an actual M/E appraisal. You have inspected the equipment, verified the appropriate data, and listed the data on your data collection forms. You are back at your desk and ready to start the procedure. Here is the outline on how to proceed:

Cost Less Depreciation

We look to find out what this machine would sell for new. The way we do that is by contacting the factory or dealer for the subject item. Use the Internet to locate your sources. It is not too difficult to find a dealer for the equipment who is most anxious to quote prices on his products (it is not always advisable to explain to these sales people why you are interested in the prices as they might not be as inclined to help you). Oftentimes you will be given an exact replacement cost new for the item you are studying. Be sure to mention any special features or unique characteristics, which should be included. Remember, if pertinent, add the cost of freight and installation or setup to the final cost new (or we could say "*cost new installed*").

Sometimes, the model you're looking for is no longer made. Ask the dealer or factory rep what the "*replacement*" model for the model in question is. You will be informed which model is not available and which "*whistles and bells*" have been added. Use your common sense.

Now, you must factor in depreciation. Oftentimes you can ask the dealers who are pricing the equipment new if they ever see used models sell. A wealth of information can be gained from these sales people in any particular industry. Use your best

judgment. Is the subject item worn out? Does it look bad? Does it look like it is in good condition or poor condition? Were their maintenance records observed? Is the machinery being maintained on a regular basis? How would you rate it?

Market Data Approach

This is an approach where we attempt to find other similar models that have actually sold in the marketplace. If you cannot find “sold” comparables, you must do the next best thing and try to find similar items “for sale.” Remember, talk to people who can refer you to other people. Talk to them, and after a few phone conversations, you will gain a wealth of information about used models in the marketplace. If possible, it is best to find three comparables for each item to be appraised. There are, oftentimes, pricing guides that enable you to do this as well as the Internet. Remember, if it is not possible to find data and sales information on sold units, you must use your prudence and common sense. The marketplace will usually begin to give you a feel for the value of a particular item if you talk to enough knowledgeable people. A salesperson may say, “Yes, we had a used model just like the one you’re looking for that sold last week. It sold for \$65,000 here in Indiana. I saw one sell last year for \$60,000.”

Be sure to document all of your conversations into your notes and retain them in your work file. Write down whom you talk to, their phone number, the company they work for and even the day and time you had the conversation. This could be very beneficial later when explaining (or defending) your estimate of value.



HINT

Find a salesperson in the field/category. Get some education.

“What should I know?” Pay him/her to help you.

Income Approach

Typically, not used in a machinery/equipment appraisal.

Writing the Report

When you begin to write the report, Review the Uniform Standards of Professional Appraisal Practice. Make sure you have implemented the points found in Standard 7, “*Personal Property Appraisal, Development.*” This is a wonderful checklist to make sure you have performed your work properly. Also review Standard 8, “*Personal Property Appraisal, Reporting.*” Make sure all required points are included in the written report.

7 Steps Performing a M/E Appraisal

1

Bid the Job

When you are called, arrange to walk through the facility to count the major equipment items with an obvious dollar value of \$2,500 or more. Also, on your site visit, ask for a copy of the depreciation schedule which will be very useful to you later (the depreciation schedule gives us lots of information, i.e., when they bought the equipment, whether it was purchased new or used, what they paid for it, etc. Remember, we want to know as much about that equipment as we possibly can). Or if there is distance involved and it is not practical for you to do a site visit, you can arrange to have the depreciation schedule e-mailed to you so that you can count the larger items on the list. The NEBB office is happy to help you bid the job whenever you feel it is necessary, even having telephone conversations in your behalf. Oftentimes,

third party conversations work very well (if you feel the need) for help in bidding your work.

2

Engagement Agreement

When you are given a green light to start the work, fill out the Engagement Letter. Collect at least one-half the fee, and state that the balance is to be delivered upon completion of the written report.

3

Become Familiar with the Equipment

Get educated on the type of equipment you are appraising. Is there anything special you are appraising? Is there anything special about the equipment you should know? How does it work? What does it do? These are questions you can find answers to before your site visit. The internet will be of great help to you in this area. Talk to the manufacturer. Talk to dealers. It only makes sense to do a little research before an assignment to “bone up” on the type of equipment you will be appraising.

4

Data Collection Procedures

Arrange to view the equipment at an appropriate time. Oftentimes, this will be after business hours so that you will have less disturbance from employees and less noise. Many appraisers carry a small tool box with the following: clip boards (for depreciation schedule and data collection forms), a small wire brush for finding and reading model number and serial number tags, a flash light, house numbers from the hardware store (for photo identification), a rag for wiping dirt and grease from nomenclature plates, and of course, a camera (cell phones take excellent pictures, just make sure you have a portable charger with you). Remember to dress appropriately – no neckties or jewelry when inspecting equipment. Fill out data collection forms. Get as much information as you can from the owner of the equipment. Remember, the more information you get, the easier your work will be. Utilize the NEBB stickers on each major piece of equipment with your ID number. It has been shown that appraisal work will come back to you after three to five years to perform again. This is an excellent way to “*sell a job*” for the future.

Performing the Appraisal

The appraisal work will be completed from your office from this point on. Some find it helpful to print out a photograph of each piece and attach it to the data collection sheet. Others prefer to create a folder on their computer containing the photographs and data collection sheet for each item. Go to the Internet and start pulling as many sources as possible that you will use in determining value for the various items. You can use the manufacturer’s name (such as Caterpillar) or you can find information regarding the item (for example, road graders). Whatever it takes to find credible sources. You are looking for manufactures, dealers and trade magazines for the most part. You will find knowledgeable sources in every field that you can contact. Use the NEBB Institute’s Members Resources Area of the Website.

Review the Approaches to Value

- **Cost Less Depreciation Approach:** Remember, the cost new of a machine always sets the upper limit of value. A used machine can never be worth more than a new, similar model. Now, depreciation must be factored. In other words, consider age and condition, and make a prudent decision based on what the manufacturers and dealers tell you about the expectant life of a machine.
- **Market Data Approach:** This approach dictates we endeavor to find as many similar models of the same age and condition as possible (at least three, if possible) that have actually sold on the used market. If you cannot find similar items that actually sold, you must do the next best thing and try to find similar units that are “for sale.” When we compare the results of the market data approach with our results from the cost less depreciation approach, we can prudently set value. Most appraisals are for Fair Market Value, in place and in use. Remember, you may need to factor an estimate for freight and installation costs for certain Fair Market Value appraisals. If the request is for a type of value different than for fair market value, in place and in use, then use prudence.

Write the Report

Once you have set your estimate of values, you are now ready to begin the written report. Use the template provided on the website which we endeavor to always keep USPAP compliant. This is our effort to always make sure you produce the kind of report that meets Federal guidelines. Until you are totally comfortable in providing the written report, always feel free to “run it by” the home office for overview, comments and suggestions.

[CONTINUE](#)

Marketing

Enough time has gone by so that we can accurately track which areas are the most successful in selling machinery/equipment appraisals in the United States. Below is a list of review points to make sure you are implementing them in your trade area. The statistics prove that if you have the following combination of marketing techniques employed you will be successful. They are as follows:

1

Complete your written test and Demonstration Report as soon as possible. In other words, get your CMEA Certification as soon as you can. Statistics have proven that those who get certified quickly have the most success.

2

Your website is VERY important. Finding it is also extremely important. When someone puts into Google the words – machinery appraisal (or appraiser) or equipment appraiser (or appraisal) and the name of your city or town, you must come up in the first three organic listings. You MUST research the best way of doing this but be warned! Many SEO Companies will only take your money and not “*raise your position.*”

3

Market yourself on as many social media platforms as you can, Linked-In, Facebook, X, Instagram and many others have all proven to be outstanding ways to network and get your name and company out there as an expert in the field of Machinery and Equipment Appraisals. These days, having an active social media presence is as important as having a well designed and marketed website.

4

Have a brochure of your appraisal services. Include your photo and bio showing your CMEA professional designation. An excellent sample brochure can be found on the NEBB Website.

5

On a quarterly basis, send a letter, your appraisal brochure and your business card to bankers, CPAs, attorneys, and business brokers (yes, even competitive business brokers) in your area. The quarterly mailing program will keep your brochure and card in the minds of these professionals, and when the need arises, they will think of you. Regularity with this feature is very important.

6

Advertise with a display ad in your local attorney trade journal, banker trade journal and accountant trade journal. We have sample ads for your use with these types of journals.

7

Public speaking and mixers. Volunteer to speak to the local Rotary Club, Lions Club, and to any other business group in your area. You can volunteer to give 15-minute luncheon speeches, which oftentimes can lead to your conducting a three-hour workshop. Public speaking engagements will enhance your business – not just your appraisal business but your brokerage or other business as well. You will be surprised at how much business you can pick up over a one-year period from speaking to groups. (All CMEAs should be sure to wear their lapel pins as these have been proven to be real conversation starters at business gatherings.)

8

Face-to-face meetings with bankers, attorneys (particularly divorce and estate attorneys), accountants, business appraisers and commercial real estate appraisers. Take a day, once a week for the next three weeks, to call on these professionals in your area. Lenders order approximately 60 percent of the machinery/equipment appraisals in the U.S. The other 40 percent seem to be divided equally among attorneys, who need litigation support, and CPAs, who are doing estate and business planning. And don't forget that if you have business appraisers and commercial real estate appraisers in your area, take a day a week in making calls on these professionals. See what happens over

the next few months with your machinery/equipment appraisal business.

9

Laminate – Our marketing department will help you with this one.

10

Referrals from appraisers in other disciplines, e.g.: contact commercial and industrial real estate appraisers who come in contact with machinery/equipment. They can refer machinery/equipment to you, and you can refer real estate to them.

Again, these are the points that are working worldwide. We are always happy to provide you with support in any area in which you may have a need.

PS – Please review this material on a regular basis to keep your appraisal business active. Remember, appraisals create more appraisals. The more you do in your community, the faster your appraisal business will grow.

Marketing is different than advertising. Marketing is the sum total of everything a professional does to generate business for his/her professional practice. The following is a list of successful marketing steps that have been effective in towns and cities from coast to coast. If you employ as many of them as possible, you will have a successful appraisal business.

Marketing is different than advertising. Marketing is the sum total of everything a professional does to generate business for his/her professional practice. The following is a list of successful marketing steps that have been effective in towns and

cities from coast to coast. If you employ as many of them as possible, you will have a successful appraisal business.

Trade Journal Ads: Trade Magazines and Local Trade Journals

These ads are usually inexpensive, and if we're making a regular presence in those publications, they will always pay for themselves over time. There are local trade magazines and newsletters for bankers, CPAs and attorneys. Find them and advertise consistently. The ad must be worded properly. Samples of scripts for the ads that have been used effectively in various cities are listed below. Remember, it is appropriate to add your name and professional designation in any of the ads if you have been certified. After all, it is the individual that is certified, not a company. And it's still appropriate to employ a company logo if you should so desire.

MARKETING & CONSULTANT
SERVICES, INC

J Smith, CMEA
CERTIFIED
Machinery/Equipment
Appraiser

2014 W. 13th St.----- 681-1527

MARKETING & CONSULTANT SERVICES, INC

Machinery/Equip • Business Appraisals •
Goodwill
J Smith, CMEA
Lick. Mo & KS

Call -----1 800 279 9014

**Marketing & Consultant
Services, Inc**

**J. SMITH – CMEA,
CERTIFIED
MACHINERY/EQUIPMENT
APPRAISER &
BUSINESS APPRAISER
619-234-2299**

www.marketingconsult.com

Volunteer for Public Speaking

Oftentimes, it is good to have a third-party call and volunteer for you to speak at a local business club. There are many clubs in your community such as the Rotary Club, Lions Club, Knights of Columbus, Bankers Meetings, Accountants Meetings, Attorneys Meetings, etc. As they say, you shouldn't "toot your own horn," and that's why it's good to have a third party call these organizations and say, "Have you heard (your name) speak? He's available for luncheon meetings, and you would really enjoy him. He speaks on the subject of machinery/equipment appraisal, and since most business people have machinery and equipment, they certainly need to know about its value." You'll be speaking to the business people in the community by following this suggestion.

Call on Business Brokers in Your Area

Even if you are a business broker yourself, your competition will still recommend you perform machinery/equipment appraisals. They want to get their deals accomplished, and if you assure them that while we are totally ethical and legal, we are not going to unduly "bust their deal," and that we understand what a business broker has to go through. They will give you a try. Remember, they need you to get their deals accomplished, so your competitor can oftentimes turn into a client referral source.

Person-to-Person Visits

Schedule time to call personally on bankers, leasing companies, CPAs, attorneys and business brokers. Especially call on bank examiners. If you make them familiar with your presence and ability to provide certified appraisals, they will “*carry the mail*” for you through all of the banks in their area. The office of the Comptroller of the Currency (OCC) will oftentimes provide examiners for national banks and the Federal Deposit Insurance Corporation (FDIC) will specialize in providing examiners for state banks (though we understand they may at times also audit national banks as well). Face-to-face visits are good with any professional; however, you don’t always need an appointment. If you cannot talk to the individual you are calling on, leave your printed materials and call back later. Whenever you meet anyone from the above fields, give them your “*appraisal commercial.*” Tell them what you can do for them.

Direct Mail

Direct mail brochures and business cards to all bankers, attorneys, and CPAs in your trade area. Use a tri-fold brochure for easy mailing such as the sample you have been provided. Below are suggested sample letters which would accompany your brochure and business card:



Bankers - (Letter No. 1)

Dear Mr. Banker: (Senior Commercial Loan Officer):

This letter is to inform you that I have been awarded the Certified Machinery/Equipment Appraiser professional designation (CMEA). An intense school, NEBB Institute, was attended to learn the legal requirements involving the Uniform Standards of Professional Appraisal Practice (USPAP) as well as the methodology employed in establishing Fair Market Value, Orderly Liquidation Value and Forced Liquidation Value. We would be happy to help you with your appraisal needs in the future. We know that from time to time you have need for a good certified, reliable appraisal. The office of the Comptroller of the

Currency and the Federal Deposit Insurance Corporation are familiar with our work and would, no doubt, confirm the need for good appraisals in your loan portfolios. Next time you have a loan request concerning machinery/equipment from any industry, please give us a call.

Sincerely,

John Doe, CMEA

Certified Machinery/Equipment Appraiser



Bankers - (Letter No. 2)

Dear Mr. Banker: (Senior Commercial Loan Officer)

Now You Don't Need to Scratch Your Head Wondering What Machinery and Equipment Is Really Worth... Here's a Solution to Your Problem!

What's machinery and equipment really worth? Since the answer is often critical to developing and maintaining a healthy loan portfolio, it makes sense for lenders to use a professional and certified appraiser when funding capital equipment loans. We provide prompt, efficient and cost-effective Certified Appraisal Reports for lenders who need an accurate valuation of machinery and equipment. We offer Certified Machinery/Equipment Appraisals that are independent, defensible, consistent, comprehensive and easy to use.

I am Certified by the NEBB Institute and am authorized to use the professional designation of CMEA (Certified Machinery/Equipment Appraiser). Lenders nation-wide utilize CMEA professional and accurate appraisals. Our appraisal reports are constantly under appraisal review to verify their compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), appraisal society standards.

Please visit our website at (Your Website) and give us a call when you have a loan request concerning equipment or to validate collateral value on an existing loan.

Sincerely,

John Doe, CMEA

Certified Machinery/Equipment Appraiser



CPAs

Dear Mr. CPA:

I am writing to let you know I have recently been Certified as a Machinery/Equipment Appraiser (CMEA) in your area. My certification comes from the NEBB Institute, and I am proud to have been awarded the CMEA designation indicating Certified Machinery/Equipment Appraiser.

CPAs use Certified Appraisals for many purposes such as ESOPs, Family Limited Partnerships, Buy-Sell Agreements, Exchanges, and a number of other reasons. One of the foremost occasions is when you are converting a client from a C corporation to an S Corporation and you need to revalue the assets.

Please give me a call when I can help you with your appraisal needs concerning machinery and equipment. Sincerely,

John Doe, CMEA

Certified Machinery/Equipment Appraiser



Attorneys

Dear Mr. Attorney:

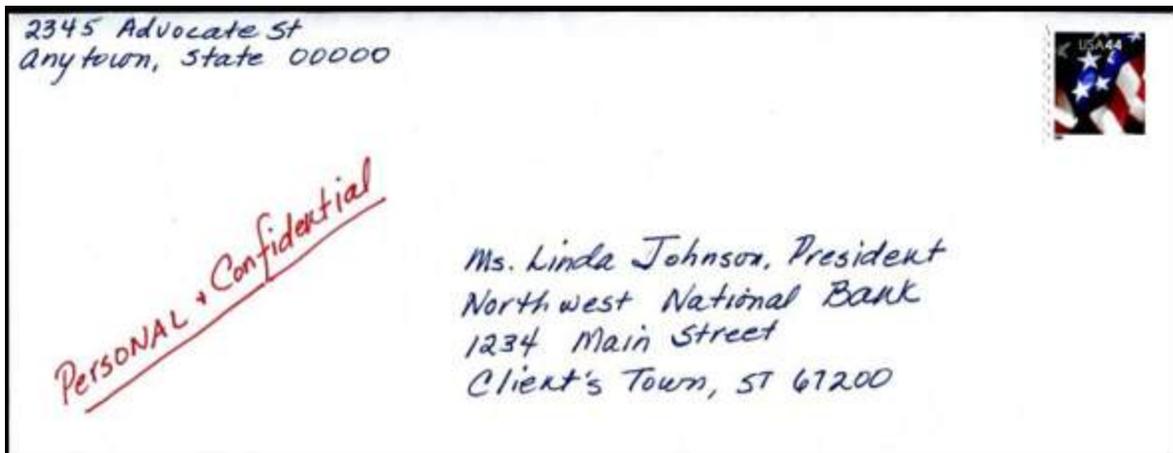
I'm writing to inform you that I have recently been certified as a Machinery/Equipment Appraiser. I have been awarded the CMEA Professional Designation indicating Certified Machinery/Equipment Appraiser from the NEBB Institute. I will be specializing in litigation support. I know that from time to time you have need for certified machinery/equipment appraisals, particularly in partnership dissolutions and divorce cases.

If I can help in any way, please let me know. I look forward to hearing from you. Sincerely,

John Doe, CMEA

Certified Machinery/Equipment Appraiser

The Envelope That Gets Opened





NOTE

We do not recommend or encourage a CMEA to develop postcards for B-to-B mailing. Personal contact, CMEA folder, networking events, and direct mail have proven through the years to work the best.

Script: Contacting Banks

Note to NEBB Member: All of our materials are directed to a specific individual in the bank. The girl in our office who does marketing contacts the bank with the following script.

Marketing Agent starts out...

Hello, may I please speak to the Sr. Commercial Loan Officer?

That would be Mr. Leon Simmons. May I tell him what the call is regarding?

Yes, please tell Mr. Simmons it is in regard to Risk Management.

This is Mr. Simmons. May I help you?

Yes, Mr. Simmons, my name is Amber. I'm with Marketing & Consultant Services. I'm calling you today about Risk Management as it pertains to Machinery and Equipment appraisals. I'm sending you a package of information in the mail and I just want to make sure I have the correct spelling of your name and the correct address since your bank has several branches.

Yes, it's Leon Simmons, S-I-M-M-O-N-S, Sr. Vice President, First National Bank, 105 Main Street, El Dorado, Kansas 67111.

Great, Mr. Simmons, I'll be getting this in the mail to you today. Thank you very much. After you receive the information, if you have any questions, please give me a call. My phone number will be in the information. Have a good day.

Note: It is extremely important to hand address the envelope and use official stamps from the post office, not a postage meter stamp. Also, write *Personal and Confidential* on the outside of the envelope.



NEBB CMEA Letter - Business Owner.docx

45.4 KB



NEBB CMEA Letter - Loan Officer.docx

57.2 KB





NEBB CMEA Letter - Attorney.docx

42.9 KB



NEBB CMEA Letter - CPA.docx

42.8 KB



NEBB CMEA Press Release Form.docx

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12 Steps for A Successful Trade Show

Step 1: Plan Ahead

Did you know there are in excess of 150,000 tradeshows held each year? Tradeshows can be extremely effective in gaining business and attracting leads. We recommend following the 12 steps outlined below. Don't get nervous, we have prepared an easy Checklist that is attached to keep you calm and prepared. In the event you don't have the time or desire to undertake all that is required to turn your tradeshow into business, professional assistance is just a phone call or email away. Contact the NEBB Institute home office for assistance.

To get started contact or search the internet for tradeshows that hit your target market. For example, search your state's organization for CPA, Attorney, Banking

Insurance, Leasing, Farm Equipment, Manufacturing, Hospitals, Chambers, etc.
Preplanning should be a minimum of three months before an event to maximize your trade show efforts.

Step 2: Identify Your Tradeshow Prospect

“If you want to know why John Smith buys what John Smith buys... You’ve got to see your service through John Smith’s eyes!” Put yourself in the shoes of John Smith – YOUR PROSPECT! Ask yourself this question: *“Why would John Smith need a Certified Machinery & Equipment Appraisal Report?”*

For example, if you were attending a tradeshow for your state’s banking association, ask yourself... *“Why would a lender need a Certified Appraisal Report?”* Answers: To eliminate bank examiner scrutiny, collateralize a loan, to eliminate fraud, to eliminate guessing at a value, to provide an independent third party irrefutable defensible estimate of value. You get the idea. There are no less than 20 typical reasons why your target market is required to obtain a Certified Appraisal Report...

Typical Reasons for A Certified Machinery and Equipment Appraisal

- Business Valuations
- Loans/SBA
- Leases
- Mergers and Acquisitions
- Divorce Settlements
- Estate Settlements
- Foreclosures
- Partnership Dissolution
- Insurable Value
- Buy/Sell Agreements
- Gift Estate Planning
- Trust Agreements
- Retirement Agreements
- Converting from C to S Corp
- 1031 Exchanges
- Sarbanes Oxley
- Property Taxes
- Bankruptcy

- Litigation Support
- Business Strategic Planning

Step 3: What You Need to Maximize Your Tradeshow Results

Once you have identified why your prospect at the tradeshow requires a Certified Appraisal Report, you are ready to begin developing your marketing tools.

Here are 13 items you will need to prepare for the event:

- 1 Direct mail letter
 - 2 Hand addressed stamped envelopes
 - 3 Credible and professional brochure
 - 4 Interrupting flyer aimed at your prospect
 - 5 Business cards
 - 6 Give-a-ways
 - 7 Email addresses (preferably)
 - 8 Clear and concise Elevator Pitch
 - 9 A tool to capture business cards
 - 10 Interrupting Company Banner
 - 11 Power Point presentation
-

12

Your CMEA pin, plaque, diploma, Sample Professionally bound and embossed Certified Appraisal Report

13

Professional dress or embroidered company shirt

Step 4: Ordering of Supplies

Six weeks to two months before the event, select and order your give-a-ways. Give-a-ways are used as a FREE gift. There are several items you could use... be creative but once again, put yourself in the shoes of your prospect. What will bring them to your table? Personalized luggage tags (put your card on the back), koozies, pens, pads, flash lights, hats, tape measures, candy, etc. Mouse pads and computer gadgets don't do very well. Stuffed animals do very well. There are some exhibitors that display putting greens, basketball hoops, dart boards, etc. You can also hold a drawing for a large item to attract people to your booth. The sky is the limit!

Make sure you are stocked with professional brochures and business cards. A rule of thumb is to bring 10% of any given product you will be distributing. In addition, you will want to prepare and order an interrupting Company Banner and/or tablecloth. Finally, depending upon the trade show, you may want to rent or purchase a display.

A professional and credible display is of the utmost importance. One way to bring people to your booth as they are walking by is to display your give-a-ways and a bowl of chocolate candy.

(Hershey's Miniatures work the best!) We have found that hard candy, gum, nuts, etc. will not typically bring people.

Most tradeshow provide sponsorship and advertising opportunities. Sponsorships of breakfast, lunch, snack, reception or dinner can be very expensive and typically the exposure does not warrant the cost. Bags, lanyards and advertising in the program bring increased results.

Step 5: Deployment of Pre-Show Marketing Tools

Since you will be an exhibitor, the organization may provide you with a list of registered attendees. There are instances where you may have to buy the list. For Chambers and public events, you will probably not be provided a pre-show list. But that's okay; we can still work around that to maximize your tradeshow results and effectiveness.

Six to eight weeks before the tradeshow, send each registrant a "Get Acquainted" direct mail interrupting "tease" letter with the promise of receiving a FREE gift for visiting your booth. The envelope should be handwritten and stamped with an interrupting slogan on the outside. If it is a public tradeshow, grab mail and email addresses from the internet, InfoUSA, and City Directories, etc. For example, if it is a Chamber event, obtain the Membership Directory in print or online and mail a direct mail letter to all chamber members.

Two weeks prior to the trade show, if you have email addresses, email each participant a reminder that you will be attending the trade show and they should stop by your exhibit for a FREE gift.

Step 6: Two weeks Before Event

Practice, practice, practice your clear and concise elevator pitch. Your elevator pitch should address the problems and frustrations of your target market AND power words why you are the best solution.

Design a flyer and copy for distribution at the show. Gather all supplies in one location. If shipping is required, ship materials and display.

Design a Power Point presentation. A looping Power Point presentation is extremely useful. Use graphics and bullet point to describe your service and why it is your prospect's solution. Use large headlines to interrupt. Many times, the Power Point can be seen by attendees sitting at a table eating or networking. A wide screen tv to show the Power Point works best rather than a computer monitor.

Step 7: Day of The Event

You're ready! Arrive one to two hours before event to set-up your booth. Remember, be sure all drinks and food are out of view. If possible, do not eat at your booth during the show. Wear comfortable shoes and dress professionally. No chewing gum! Have fun! Be interested in your prospects. Always ask them what they do and they'll naturally say, "Tell me about..." or "What is it that you do?" That's your cue for your memorized and targeted Elevator Pitch. Ask the prospect, "How do you determine the value of your tangible assets? If there was a catastrophe, would the insurance company pay you what your machinery/equipment is actually worth? Can you substantiate the value of your machinery/equipment? Have you ever had an appraisal of your machinery/equipment? Do you know why that is important to ..., etc.?" Get as many business cards as you possibly can – fishbowl, drawings, etc.

In addition, don't forget about other exhibitors. Visit each booth – it is possible to set up strategic alliances with other exhibitors. Attorneys, lenders, financial planners, etc. oftentimes exhibit.

Step 8: One to Five Days Following Event

Enter all business cards and leads into your database. Personally, follow-up with all hot leads by telephone. For those prospects that stopped at your booth and dropped a business card, send an interrupting email or direct mail letter and reach out to them on social media. Once again, the communication should address your prospect's hot buttons and thank them for stopping by.

Step 9: 30 Days Following Event

Typically, you will be provided a list of attendees following the show within 30 days. It is important to note that the list usually does not include email addresses. For these individuals for whom you do not have a card, the list will be instrumental following the event. Many times, attendees are so busy during breaks with phone calls and catching up with colleagues, that they are unable to get by your booth. An interrupting direct mail letter should be sent offering to send the FREE gift. Why? It gives you a chance to get their email address. If the list includes email addresses, by all means email and send a letter.

Step 10: 60 Days Following Event

Keep in touch with the leads from the show – they are low hanging fruit. A phone call or email will keep you in front of them.

Step 11: 90 Days Following Event

It's time for a follow-up direct mail letter and email to the list of attendees.

Step 12: Every 90 Days Thereafter Following the Event

Keep in touch with leads and list of attendees either via email or direct mail letter.

If You Prefer Not to Exhibit but You Want Results from A Tradeshow, There Is an Option...

It is important to note attending tradeshows is also an effective way to garner leads. Network with other attendees and with exhibitors! Almost EVERY tradeshow (except home and garden) have lenders, attorneys, CPA's, financial planners. Being an attendee can be just as lucrative and rewarding as exhibiting!



NEBB CMEA - Member 120 Day Fast Check List to Success.docx
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Code of Ethics

The Purpose of the “Code of Ethics & Competency” Appraiser Awareness Program is to protect the public from unsubstantiated or questionable machinery and equipment appraisals. Our seal serves to alert the public to the documentation we feel is necessary to prove that an appraiser is competent. This assures an appraisal will be substantiated, accurate, irrefutable and defensible. The seal also ensures that an appraisal will withstand scrutiny. If a machinery and equipment appraiser doesn’t meet these standards, the public’s best option is to continue to look for an appraiser that does

The Problem with Surface-Level Information...

Many attempts have been made to educate the public on how to protect themselves when it comes to providing accurate machinery and equipment values. Many professionals guess, rely on book value or the opinion of a non-certified person. It is common for the public relies on surface-level information from an appraiser which does not give the public indication as to the level of accuracy or competency.

We are committed to preserving the public trust. Therefore, we have developed a “Code of Ethics & Competency” Appraiser Awareness Program to protect the public from unsubstantiated or questionable machinery and equipment appraisals. Our seal serves to alert the public to the documentation we feel is necessary to prove that an appraiser is competent. This assures an appraisal will be substantiated, accurate, irrefutable and defensible. The appraisal will withstand scrutiny.

We demand ethical excellence from machinery and equipment appraisers. Therefore, they must comply with these 4 strict points:

- 1 Ethical Obligations
- 2 Advocacy Only of the Appraisal
- 3 Certification
- 4 Defensible Appraisal

When faced with determining a value for your tangible assets, consider these 4 questions to protect yourself.

1

Ethical Obligations: Are there ethics and regulations at the backbone of a machinery and equipment value?

What can happen if a machinery/equipment appraisal is not backed by methodologies and substantiation? An inaccurate appraisal can be costly and filled with liability.

The NEBB Institute has adopted the ethics and regulations of the Uniform Standards of Professional Appraisal Practice (USPAP). USPAP is the recognized authoritative source for appraisals throughout the world.

All certified Appraisal Reports submitted by a Certified Machinery and Equipment Appraiser (CMEA), begins with the essentials...knowledge and adherence to USPAP regulations and ethics. As an example, a CMEA is prohibited from revealing a value to

anyone other than the client. In addition, a CMEA is prohibited from engaging in any assignment that provides for a payment in the form of a percentage of the final value estimate.

A CMEA's Certified Machinery and Equipment Appraisal is government compliant and withstands scrutiny. An irrefutable, defensible, and substantiated estimate of value delivers a level of confidence no one can be without.

2

Advocacy Only Of the Appraisal: Is an appraiser an advocate?

That could be a difficult question for appraisers who do not uphold the ethics and regulations of USPAP. It's a question we do not take lightly nor do our CMEA's. For a Certified Appraisal Report to withstand the scrutiny of lenders, attorneys, buyers, sellers, CPA's, IRS and courts, it is essential that the Report include evidence that supports the true Fair Market Value of an item. A CMEA's Certified Appraisal Report provides an accurate descriptive analysis backed by photographs, model numbers, serial numbers, and current market value. Values are based on appraisal methodologies, extensive research, personal inspection, and contact with manufacturers and suppliers to determine what the items are really worth.

That's why you can be assured that a CMEA is an advocate only of the appraisal...not of any person or entity. The public can be assured that every appraisal conducted by a CMEA is unbiased, substantiated, irrefutable and defensible.

3

Certification: Is there a professional designation indicating the Appraiser has been Certified to conduct and submit a defensible and irrefutable appraisal of the machinery and equipment?

That could be a difficult question for appraisers who do not uphold the ethics and regulations of USPAP. It's a question we do not take lightly nor do our CMEA's. For a Certified Appraisal Report to withstand the scrutiny of lenders, attorneys, buyers, sellers, CPA's, IRS and courts, it is essential that the Report include evidence that supports the true Fair Market Value of an item. A CMEA's Certified Appraisal Report provides an accurate descriptive analysis backed by photographs, model numbers, serial numbers, and current market value. Values are based on appraisal methodologies, extensive research, personal inspection, and contact with manufacturers and suppliers to determine what the items are really worth.

That's why you can be assured that a CMEA is an advocate only of the appraisal...not of any person or entity. The public can be assured that every appraisal conducted by a CMEA is unbiased, substantiated, irrefutable and defensible.

Defensible Appraisal: Is the report USPAP compliant and does it hold up to scrutiny?

Not all appraisal reports are created equal! Do you feel confident that:

- the value assigned is irrefutable and defensible? Do you feel confident that
- you will prevail during litigation, before the court, IRS, lenders or others without a USPAP

- compliant Certified Appraisal Report? Think about this...does the assigned
- value take into consideration USPAP recognized approaches to value?

Wouldn't it make prudent financial and logical business sense to protect yourself with a Certified Appraisal Report of your tangible assets? Can you really rely on any other type of report?

A NEBB Institute CMEA upholds the regulations and ethics of Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by congress and the Appraisal Foundation. Briefly, USPAP is the recognized authoritative source for appraisers. A USPAP compliant report will provide the public with an irrefutable, substantiated, and defensible assignment of value.

An Appraiser That Complies with These 4 Strict Points PROVE That They Are Capable of Performing at the Highest Level of Ethical Excellence Deserving of the Public Trust

- www.Certitrek.com/NEBBInstitute
- Toll Free (866) 632-2467

CONTINUE

The Technical Committee

Industry experts who are available to answer your appraisal questions:



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CONTINUE

Lesson 18 of 19

Website Tour

[To Be Updated]

CONTINUE

Lesson 19 of 19

MEA Report Writer Tour

[To Be Updated]

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