

# APPRAISAL REPORT FUNDAMENTALS

A summary of the basic parameters and guidelines we use to complete our appraisal assignments.

PREPARED BY:

Forke & Tuel Appraisal Services, LLC

Member:

Equipment Appraisers Assoc. of North America (EAANA)



Certified Appraisers Guild of America (CAGA)



# OVERVIEW

**Forke & Tuel Appraisal Services, LLC** has been providing Professional Certified Appraisal Services to Contractors, Dealers, Investors, and Financial Institutions since 2001.

Our guiding principle is to provide our clients with honest, professional appraisals of the highest integrity – leveraging our 75+ combined years of experience in the equipment industry.

**We know the market.** We utilize reputable reporting services, regularly track global and industry specific market trends, attend auctions, analyze current historical sales and auction data, retail comparisons, etc.

**We know the industry.** We have a combined history and wide ranging experience in the global heavy equipment industry, having worked in various capacities with a multitude of major contractors, dealers, industrial lenders, including the three largest industrial auction houses in the world.

**We know equipment.** We have conducted and/or managed thousands of appraisals and equipment inspections over the years for a wide variety of clients, and covering a broad spectrum of equipment industries, including:

Heavy & Highway Construction, Oil & Gas Industries, Concrete and Asphalt Plant and Paving, Road & Bridge building, Heavy Civil, Dams, Crushing & Aggregate, Excavating & Utilities, Infrastructure, Cranes & Lift Equipment, Trucking & Transportation, Agriculture, Mining & Energy Industries, Marine Equipment, Pipeline, Tunneling & Boring, Dealer Inventory, and many others.

**We won't compromise.** We follow USPAP Standards. Our Appraisals are conducted independently and exclusively by us, and represent completely objective, unbiased third party evaluations, certified under USPAP regulations and guidelines.

# **GENERAL APPRAISAL GUIDELINES**

## **PURPOSE OF THE REPORT**

Client defined reason for the valuation engagement - Examples:

- Estate Planning or Settlement,
- Loan or Trust Documentation,
- Business Planning or Reorganization Analysis,
- Charitable Giving,
- Sales and/or Exchanges,
- RPO/Lease Equity vs Return Analysis,
- Litigation and/or Dispute Resolution,
- External Appraisal as required by a Client's Financial Institution,
- Insurance Claim/Adjustment,
- Investment Analysis.

## **CHOSING AN APPROACH TO VALUATION**

Personal Property Appraisal considers three separate approaches to value: Cost Approach, Market Approach, and/or Income Approach. There also must be a timeline consideration – either Prospective (valued under market conditions at a specific date in the future), Current (valued under current market conditions), or Retrospective (valued under market conditions at a specific date in the past). Decisions regarding the appropriate Valuation Approach and Timeline are based on the requirements of the client and the assignment.

## **DEFINITIONS OF APPROACH TO VALUATION**

### **COST APPROACH**

The Cost Approach estimates current replacement or reproduction cost of an item minus physical depreciation, functional and economic obsolescence.

### **MARKET APPROACH**

The Market Approach compares the subject (personal) property with similar recently sold properties. In the absence of recent sales, property listed for sale is used to trend market range.

(Note: Cost less depreciation and obsolescence analysis methods can be utilized in some limited instances where recent sales comparison data is inconclusive or non-existent.)

## INCOME APPROACH

“The Income Approach is a method to measure the present value of a (personal) property’s expected future returns. A decision to purchase any property is an investment decision. Investment decisions are made in consideration of the expected return generated from the investment, the period of time over which the return will be earned and the risk of not receiving the expected return.” (Source: Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets, P148)

## **METHODS OF VALUATION**

Personal Property Appraisal considers various Methods of Valuation, the most common being: Auction (or “Forced”) Liquidation, Fair Market, and Orderly Liquidation valuations, which are defined below. Decisions regarding the appropriate Valuation Method used are based on the requirements of the client and the assignment.

## **DEFINITION(S) OF VALUE**

### AUCTION (or “FORCED”) LIQUIDATION VALUE

Source: The Machinery and Technical Specialties Committee of the American Society of Appraisers – July 25, 2010; **Auction (or Forced) Liquidation Value** is defined as:

“An opinion of 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”, within a reasonable exposure time (typically 60 to 90 days).

### FAIR MARKET VALUE

Source: The United States Federal Tax Code, Sections 20.2031-1(b) (Estate Tax) and 25.2512-1 (Gift Tax), defines **Fair Market Value** as:

“The price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or compulsion to sell and both having reasonable knowledge of the relevant facts.”

### ORDERLY LIQUIDATION VALUE

Source: The Machinery and Technical Specialties Committee of the American Society of Appraisers – July 25, 2010; **Orderly Liquidation Value** is defined as:

“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.”

## **BASIS OF APPRAISAL**

### EFFECTIVE DATE OF THE APPRAISAL

The opinion of value, as of a determined (retrospective, current, or prospective) date.

### DATE APPRAISAL CONDUCTED

The date the Appraisal was actually conducted or concluded.

### DATE OF REPORT

The submission date of the report, including the cover letter and certification.

### INTENDED USER(S)

Identifies and limits who is to receive and is able to use the report.

### CONDITION OF THE EQUIPMENT

Describes the relative condition of the equipment in general terms (specifics are generally included in the asset Schedule descriptions and attached).

### MARKETABILITY

Describes the assets relative desirability and market demand.

### LIMITING CONDITIONS OF APPRAISAL

The values stated in the Appraisal Report will typically have limiting factors, which might necessitate statements such as:

1. Based on the best judgment of the appraiser given the facts and conditions available at the date of the valuation.
2. Limited to the purpose of determining the value of personal property for the intended use of the report.
3. Stated in gross dollars with no provision for such costs as marketing, commissions, transport, insurance and/or refurbishment, and assuming all equipment to be functioning as intended, unless otherwise noted.
4. For the Equipment asset itself, as listed and described, and "as-is, where-is." No value will be assigned or attributed for costs of installation, assembly, transportation or removal, or for any construed value attached to land, leases, permits, or infrastructure (unless required as part of the assignment).

5. Based on research conducted to verify and confirm year of manufacture using current serial number guides. For items not listed in current serial number guides, the year provided per the owner's equipment records was used.
6. Based on the assumption that the Equipment assets are in operable condition unless otherwise noted, or represented by the owner.

### EXTRAORDINARY ASSUMPTIONS

Assumptions based on the specific requirements of the assignment may include items such as:

The Equipment assets are assumed to be in good running order, functioning as intended, and appraised as such (unless otherwise described as "Parts Only"), and refurbished to normal auction or "rent ready" standards for sale.

The Equipment assets are assumed to be in relatively the same or better condition on the effective date of the Appraisal as they were on the date they were inspected.

The Equipment assets are assumed to be marketable, free and clear of any encumbrances.

The refurbishing referred to above assumes cosmetic work such as metalwork, cleaning and painting, and any tire and undercarriage upgrades necessary to get the equipment prepared cosmetically to "auction ready" condition would be conducted by the owner. Cosmetic and mechanical work or repairs and/or transportation costs assumed necessary (in order to deliver the equipment to auction or "rent ready" condition) are not typically included in the report (unless requested by the intended user).

If found false, the findings and conclusions of the Appraisal could be altered.

### ATTACHMENTS/DESCRIPTIONS

An itemized list with descriptions is included in Schedule A attached to the report.

## SCOPE OF WORK

Identifies the specifics of the assignment, and may include:

Specifics regarding field inspections by the Appraiser, the inventory list provided by the owner, number of assets, locations, etc.

How the assets were inspected: normally a physical, "walk by," visual inspection of each item is conducted, including verification (to the extent possible) of make, model, VIN numbers, configuration of the equipment assets including listing features and attachments, and relative visual condition of the asset itself, as well as wear components including tires and undercarriages. Or, if not inspected, the origins and veracity of the information provided, and who provided it.

Field notes and photos are taken for each equipment asset, to verify appearance and condition at the time of the inspection, as well as for review and archival purposes.

Describing conditions of the Equipment assets: as either "Excellent," "Very Good," "Good," "Fair," "Poor," or "Parts Only" (see definition of "Physical Conditions" terms).

Identifying item(s) not viewed, or not inspected.

What analysis processes and methodology were used for valuation: utilizing an Auction Liquidation, Fair Market, or Orderly Liquidation Value method, and also what approach was taken (such as a Market Approach). Comparisons are conducted with similar equipment from historical auction and/or retail sales considering the most current examples available. If no auction and/or retail comparisons can be obtained, a formula is applied based on depreciation from new cost; remaining life, utility/marketability, and/or obsolescence. Factors in determining value will also include specific information gathered from the field inspection with respect to usage, attachments, options, and condition. Research for comparative purposes can include the following resources:

- a. An extensive electronic and guidebook database of recent historical auction and/or retail results, including resources such as - RBAuction.com, Truckpaper.com, Machinerytrader.com, Machinery Trader private dealer services market analysis service, KBB.com, RockandDirt.com, CHL Construction Equipment Guide, and Equipmentwatch.com, NADA.com, Machinerypete.com, Fastlane.com, etc.
- b. The Appraiser's professional experience evaluating construction equipment and other industrial assets, including the Appraisers' combined accumulated years involved in various equipment and auction industries.

- c. Consideration is also given for world economic conditions, competitive pricing of new equipment, and the general supply and demand of various makes and models currently being sold at dealerships and elsewhere.
- d. Input from the owner (as is considered relevant) regarding recent major repairs, maintenance records, hours, mileage, and general descriptions for uninspected items, acquisition costs for later model equipment, and operational protocols are considered, and when appropriate, are taken into account during the valuation process.
- e. Outside consultants (as may be deemed necessary, and/or at the client's discretion) may be engaged to provide expert opinions on items where specialized knowledge of an industry or asset category is required. Manufacturers may be contacted in some instances to verify year of manufacture for items where we may not be able to find specific SN guide references.



## CERTIFICATION OF REPORT

The report is certified that to the best of my knowledge and belief:

- The analyses, opinions, and conclusions are developed, and this report will be prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice (2020-2022 edition)*, and with EAANA Code of Ethics.
- The strictest confidentiality regarding non-public and sensitive business information of the client will be exercised as per USPAP and the Code of Ethics of the Equipment Appraisers Association of North America. There will be no exchange of non-public business information or the findings and conclusions of the Appraisal Report by me with any third parties without the prior approval of the client, unless required by law.

Additionally, Scott Tuel and Scott Forke have each successfully completed the personal property appraiser certification program with the Certified Appraisers Guild of America and are members in good standing. This report is prepared in accordance with the current 2020-2022 edition of the Uniform Standards of Professional Appraisal Practice along with the Standards and Practices of the Equipment Appraisers Association of North America (EAANA), the American Society of Appraisers (ASA), and the Certified Appraisers Guild of America (CAGA), each of which also have review authority of this report.

Although we will Appraise each and every item, we do not guarantee the individual value of any particular item or group of items and this Appraisal cannot be considered a guarantee of same. There are no guarantees of tested value, nor does it imply absence of risk regarding possible value change.

Any additional research or testimony required by the client or the court will be billed at the Appraiser's current rates.

The evaluation is for the intended user(s) only, and we will only discuss or release information with the intended user's consent.

## DEFINITION OF PHYSICAL CONDITION TERMS\*

The following is an explanation of the terms used in the Appraisal Report to describe the general physical condition of the Equipment and other assets in the Appraisal:

**EXCELLENT** – Recently purchased. Limited use. Probably shows some evidence of handling and use, but in practically new mechanical condition.

**VERY GOOD** – In exceptionally good mechanical condition. May have been overhauled or may have never been used enough to require overhaul.

**GOOD** – No known mechanical defects except any that may be described. In operating condition, but may have some worn parts that will need repair or replacement soon.

**FAIR** – Has seen considerable service and may require general overhaul soon. May be old or may have suffered hard use.

**POOR** – Has seen hard service. Is worn and needs repair.

(\* Source – Forke Blue Book, copyrighted 1956).

# **Scott Tuel, Partner**

**Forke & Tuel Appraisal Services, LLC**  
**7057 S Malaya Ct, Aurora, Colorado 80016**

## **Association Memberships**

**Equipment Appraisers Association of North America (EAANA)**

Associate Member – **Colorado Contractors Association (CCA)**

Associate Member, **Wyoming Contractors Association (WCA)**

## **Professional Designation**

Certified Senior Appraiser (CSA – EAANA/USPAP)

Certified Appraiser (CAGA)

## *Experience*

**Tuel Tractor Company, Denver, Colorado**

1993 to Present

Own and operate used equipment business. Perform high quality certified equipment fleet appraisals for local, national, and international construction contractors. Sales of used construction and mining equipment. Equipment maintenance and management consulting.

Green International, Inc. Denver, Colorado

8 years

Equipment Manager. Responsible for all purchasing, maintenance scheduling, and disposition of \$35 million equipment fleet. Also performed all equipment appraisals.

**Argee Corporation, Denver, Colorado**

3 years

Equipment Manager. Responsible for all management and maintenance of \$12 million equipment fleet at nine locations in the western United States. Performed all fleet appraisals, established operating rates, and managed cost reporting.

**Summit Construction Company, Rapid City, South Dakota**

4 years

Equipment Superintendent. Directed maintenance and repair of heavy equipment fleet. Also performed annual appraisals of all equipment in Rocky Mountain District.

# **Scott Forke, Partner**

**Forke & Tuel Appraisal Services, LLC**  
**7 Aleebil Lane, Cody, Wyoming 82414**

## **Association Memberships**

### **Equipment Appraisers Association of North America (EAANA)**

Associate Member – **Colorado Contractors Association (CCA)**

Associate Member, **Wyoming Contractors Association (WCA)**

## **Professional Designations**

Certified Senior Appraiser (EAANA/USPAP)

Certified Appraiser (CAGA)

Certified Mining Safety and Health Administration (MSHA)

## *Experience*

### **Scott Forke & Company, LLC, Cody, Wyoming** 2015 to Present

Self-employed. Conduct fleet appraisals and consulting for local, national, and international construction contractors, and used equipment sales.

### **Cat Auction Services, Longmont, Colorado** 4 years

Regional Manager. Responsible for developing a sales team and managing heavy equipment auctions and appraisals in the Rocky Mountain region.

### **Ritchie Brothers Auctioneers (USA), Inc. Longmont, Colorado** 12 years

Divisional Vice President. Responsible for developing and managing a sales team and conducting heavy equipment auctions and appraisals in the Rocky Mountain/Mid-west region.

### **Forke Europe BV, The Hague, Netherlands** 2 years

Managing Director. Responsible for managing a sales team and conducting heavy equipment auctions in Europe, and equipment appraisals and consignments in Europe, AMEA, and SE Asia.

### **Forke, Inc. Lincoln, Nebraska** 6 years

Sales Manager and Auctioneer. Responsible for managing a sales team and conducting heavy equipment auctions and appraisals in the US & Canada.

### **Forke Brothers Auctioneers, Lincoln, Nebraska** 12 years

Partner and Auctioneer. Responsible for developing, conducting and supporting heavy equipment auctions and appraisals throughout North America, averaging @50 auctions per year.

# **SCHEDULE A**

(a few sample pages to show report format & content)