



# Equipment Appraisers Association of North America

Incorporated May 18, 1990

1270 State Route 30

Clinton, PA 15026

1-800-790-1053

## Summer Newsletter

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The following is an article that appeared in the May-June Surety Bond Networker published by the Surety Information Office, written by [Ronald J. \(Jerry\) Dover](#), CSA and President of EAANA, and Dr. Noreen Dornenburg, ASA, Avondale Appraisals.

### FOR WHAT'S IT WORTH!

To a surety producer or underwriter, "What's it worth?" is more than an academic question. Issuing performance bonds requires a rigorous review of the contractor's character, capacity, and capital. Reliable and accurate information in the pre-qualification process is critical, and certified equipment appraisals are key to assessing accurately both the capacity of the contractor to complete the contract and the capital base upon which necessary funds will be raised. Yet too few surety companies require current, market-based equipment valuations.

Instead, the industry relies on two sometime dubious sources of information: (1) insurance inventories and (2) book values of equipment, either as depreciated, or using some rule-of-thumb percentage of original cost. Contractor-generated equipment lists can:

- (a) Be simply out-of-date;
- (b) Hide true value of assets because of accelerated depreciation schedules unrelated to the useful life of the equipment;
- (c) Be deliberately manipulated to deceive the surety company and/or the bank; or
- (d) Grossly overstate the value of currently held, but aging, assets in order to facilitate replacement in case of accident or loss (insurance lists).

An independent, professional appraiser will provide accurate and unbiased information on the actual equipment owned by the contractor with its current market value.

A professional equipment appraisal also gives the surety company access to more detailed and accurate information about the quality of the contractor's assets. In the process of completing appraisal reports, certified equipment appraisers complete

visual inspections to verify and identify the equipment, determine its age, usage, and condition, observe the contractor's maintenance and repair capabilities, estimate useful life, and form an opinion of current market value. The appraisal report can be tailored to meet the specific needs of each surety company's prequalification process.

Certified equipment appraisers have wide knowledge of equipment markets and considerable contacts within the construction equipment industry to draw upon when doing an appraisal. For those who have never engaged an equipment appraiser, professional associations of equipment appraisers can identify members who specialize in the specific type of fleets used by road-builders, heavy construction, and utility contractors.

In addition, certified equipment appraisers are governed by the Uniform Standards of Professional Appraisal Practice (USPAP) and are trained by their professional associations to comply with these widely accepted standards for appraisal assignments. Choose an appraisal company employing certified or accredited appraisers who specialize in the type of equipment and vehicle fleets owned by your contractor client. Make sure the appraiser complies with USPAP and the ethical code of his or her own professional appraisal association.

With a certified equipment appraisal, the surety industry can determine with confidence the appropriate level of performance bond to issue a contractor. Better information permits issuing more surety when deserved and withholding or limiting surety to contractors whose equipment fails the quality test.

To learn more about what a professional equipment appraiser can do for you and who are available in your area, visit the Web sites of the Equipment Appraisers Association of North America ([www.eaana.org](http://www.eaana.org)), the Association of Machinery and Equipment Appraisers, ([www.amea.org](http://www.amea.org)), and the American Society of Appraisers ([www.appraisers.org](http://www.appraisers.org)).

Thank You!

# EAANA NEWS AND UPDATES

- **Special Acknowledgment** to those who have completed all reaccreditation requirements for Certified Senior Appraiser (CSA).

**Robert P. Palermo, CSA**

**Bernie Dworkin, CSA**

- **Congratulations** to those who have passed the EAANA Comprehensive Exam!

**James W. Finlon**

**Robert Breakstone**

**Malcolm Brumpton**

- **Well Done** to the following members who made the effort to upgrade to Certified Senior Appraiser (CSA).

**Robert Breakstone, CSA**

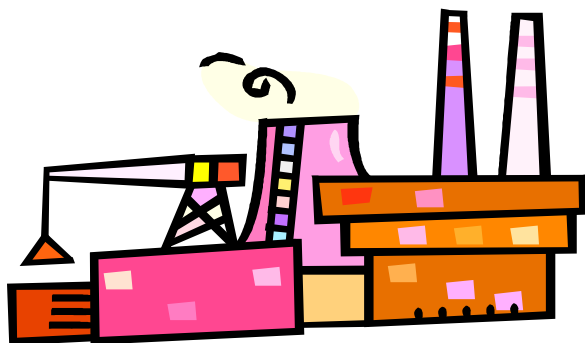
**James W. Finlon, CSA**

**Thomas Hazelhurst, CSA**

**Clifford P. Henshaw, CSA**

**Do you have a question regarding USPAP (Uniform Standard Principles of Appraisal Practice)? EAANA Vice President Jean Novotny, is our new USPAP advisor. Jean is now an AQB Certified USPAP instructor. You can reach her at 510-769-8952 or email: [jnovotny@sbcglobal.net](mailto:jnovotny@sbcglobal.net)**

**Note: The Appraisals Standards Board has stated that the 2005 USPAP edition will remain effective until at least June 30, 2005.**



## Welcome New Members

*Theodore Vargo,*

*Pittsburgh, PA*

*Gregory Bohrer,*

*Golden Valley, MN*

*Jack Mendenhall,*

*Elk River, MN*

*Jerald Todd Skelton,*

*Birmingham, AL*

## ATTENTION:

Mark your calendar for the **16th Annual Membership Meeting** scheduled for January 27 & 28, 2005 in Pittsburgh, PA. You will not want to miss this year's Meeting. The Board is working on several key speakers to give you information that you don't want to miss. This is also an excellent opportunity to network with the other members.

## New WEBSITE Design:

Please take a few minutes and go to the Members listing of the **EAANA.org** website and make sure that all your information is updated, and correct. Certified Senior Appraisers, if you would like to expand your profile, or submit a picture of yourself or your Company logo please forward it to me via e-mail. [mail@eaana.org](mailto:mail@eaana.org)



## 2006

Within the next month you will be receiving your 2006 Dues invoice along with a proof for the 2006 directory. Please return the proof with any corrections that need to be made.

