President’s Letter

By Park R. Johnson, ASA

A few weeks ago, I spent a stimulating day in our Chapter’s first all-day Business Valuation Symposium which we cosponsored with the Business Valuation Association. The symposium was held at the Hard Rock Hotel and featured out-of-town speakers such as John Moag, Robert Cimasi, and Dr. Richard Ruback, as well as our very own Roger Grabowski, Larry Levine and Dan Van Vleet. The presentations were relevant and the discussion was lively. One of the advantages of an event like this is that it brings notable speakers to a venue where they can engage the audience in the most current topics by presenting a format that encourages interactive discussion.

Also, in April, the Chicago Chapter held an event at UBS towers on the subject of depreciation and life estimation studies. This event, targeted primarily at the Machinery & Equipment practitioner was the best attended event for this discipline that I have seen. We had 27 people come to hear Jerry Weinert from AUS Consultants speak about survivor curves and life estimation studies.

On June 9, we held our year-end event. This event was sponsored by the chapter, so there was no attendance fee. It was a good occasion to reflect on the year gone by and rekindle relationships with fellow members. I hope you were able to take advantage of it.

This will be my last President’s Letter. By the time the next newsletter comes out, my term of office will be over. It has been a privilege serving as your Chapter President. I thank you for giving me the opportunity to do so.
In the Machinery and Technical Services area, there has been a significant change in market conditions over the past several months. Because of the Internet, buying habits continue to evolve. An indication of the level and strength of these changes was recently displayed during a machine tool auction. Results indicated a strong increase in the health of the machinery market. This, combined with the improved attitude indicated by conversations with auction attendees, may mean better times are on the way.

On May 5-6, there was a two-day auction of the equipment of Northwestern Tool & Die, a well known provider of dies and tooling to the plastics and stamping industry. The auction was conducted by Perfection Plant Liquidations by order of Howard B. Samuels of Rally Capital, LLC as assignee/trustee. The auction included 2,200 individual items ranging from a box of drill bits valued at $50 to a Makino Wire Electrical Discharge Machine valued over $70,000 plus. Real property, in the Corporate Woods Industrial Park in Vernon Hills, Illinois was also offered and sold. Because of the size of the auction, quality of the assets available, and the marvelous setting provided by the first class real estate, this auction was always considered to be a significant barometer to analyze the state of the industrial marketplace – especially as every machine shop within 300 miles might have been potentially interested in the sale.

Despite anticipation of high attendance, neither day produced a high number of onsite participants, though the number of online bidders exceeded expectations. Sitting at your desk and bidding on items you may have seen the day or two before, or perhaps not seen at all, is surely a more convenient way to bid. This appears to be an indication of a continuing attitude change on the part of the equipment buyer. This situation did not, however, affect the value of the items sold, which is the concern in any auction. The total sales of all items sold over the two-day auction is 25% plus higher than the pre-auction estimate. 35% of the total sales were to online bidders.

The message here, as I see it, is buying habits continue to change in reaction to greater convenience. At the same time, I believe we saw an identifiable uptick in the value of everyday tool room equipment and accessories. The increase in values is a positive for us all.

What does it take to be a Real Estate Appraiser? The field requires a college Bachelor’s degree, specialized Real Estate appraisal training, specialized appraisal experience, and a background that includes evaluating cash flows and making detailed observations of real estate. The job requires great attention to detail and persistence in finding good data.

The typical work day is: 9 to 12 hours of interacting with clients, inspecting property and working on personal computers and public computer terminals. Trends in the industry: Working in a changing economy means learning new research and analysis techniques and how to effectively communicate the findings to clients.

Education: ASA offers the designation and recognizes the following providers for work toward designation.

- The Appraisal Institute
- National Association of Independent Fee Appraisers
- The American Society of Farm Managers and Rural Appraisers

The Business Valuation Standards Subcommittee is developing a Procedural Guideline addressing the valuation of minority and fractional ownership interests. Currently, the subcommittee is seeking public comment on the proposed Guidance. There are also additional opportunities for input on a variety of topics addressed by the standards subcommittee. For additional information, please visit www.asabv.org/index.php?content=PG-2:Valuation_of_Partial_Ownership_Interests.

The BV Committee would like to help you navigate the challenges faced in our profession and welcome suggestions for future programs and content. Please contact me by email at csims@deloitte.com if you are interested in joining the committee or have any questions or comments.
EDUCATIONAL EVENTS

Conferences, Panels, Presentations, Symposia and Workshops

**PANEL**
UBS BUILDING, CONFERENCE CENTER
JUNE 25, 2010
ACCESS TO CAPITAL: HOW DEALS GET DONE IN THIS MARKET
ORGANIZED BY RICS AMERICA
MODERATOR: JOHN JOSKO

**CONFERENCE**
LAS VEGAS, NEVADA
JULY 22-25
JW MARRIOTT LAS VEGAS RESORT & SPA
INTERNATIONAL APPRAISAL CONFERENCE

**CONFERENCE**
MIAMI BEACH
OCTOBER 4 – 6, 2010
ADVANCED BUSINESS VALUATION CONFERENCE
CO-ORGANIZED BY THE ASA AND CICBV

**CONFERENCE**
WINSTON SALEM, NORTH CAROLINA
OCTOBER, 2010
ASA PERSONAL PROPERTY CONFERENCE
DETAILS TO FOLLOW

BV Conference

There are several opportunities for quality education and to fulfill certification requirements. The ASA & CICBV are holding a joint conference in South Beach, Miami October 4 – 6, 2010. Covered topics include valuation for financial reporting, private equity markets and fairness opinions, and fair market value as a measure of loss.

VIVA Las Vegas!
ASA International Conference

July 22-25, 2010
Las Vegas, Nevada
Up to 27 CPE Credits

Start or continue your appraisal training with the American Society of Appraisers. ASA is recognized throughout the world for excellence in appraisal education. Instructors are top-notch, having met superior academic standards and having proven track records and real-world practice. ASA courses are distinguished by their applied, practical approach and relevance to the corporate world. Whether a novice practitioner or a seasoned appraiser, ASA’s training will increase your expertise and your profession. Some of the available education courses:

- Business Valuation Appraisal Review & Management (ARM203)
- Introduction to Business Valuation Part 1 (BV201)
- Valuation of Intangible Assets for Financial Reporting Purposes (BV301)
- Machinery & Equipment Valuation Methodology (ME202)
- Uniform Standards of Professional Appraisal Practice - USPAP (SE100) and (SE100PP)

Sign up now! Prices increase July 1, 2010

Panel

*By John Josko, ASA*

Join us on June 25 at 8:00 a.m. for a breakfast panel that will address a timely question: In this volatile market, what are developers and lenders doing to get the deals done and the projects financed? The panel, *Access to Capital: How Deals Get Done in this Market*, promises to be stimulating to all. For information, please go to http://www.eventbrite.com/event/699789088.
CONTINUING EDUCATION COURSES

ASA at Northwestern University in 2010

By Patricia Atwood, ASA

One of the key factors distinguishing competent ASA appraisers is their commitment to ongoing professional education. We are pleased to partner with Northwestern University, who are offering two classes in Fine Art. Several of our members have raved about Esther Sparks’ class on 19th Century American Painting which is only offered every other year. This is the first year that Contemporary Art will be offered and this two-day intensive new class promises to invigorate its attendees as it explores the fascinating and (to the uninitiated) confusing field where the appraised object could be a million dollar shark in formaldehyde.

19th Century American Painting: A survey of major movements in 19th century American painting will be explored including: landscape painting from Hudson River to Rocky Mountain Schools; realism in history and portraiture; and genre painting. In every category, the national phenomenon will also be illustrated by local and regional artists, whose work is likely to appear in today’s market. (This course is a series of five Tuesday evening lectures If enough ASA members sign up, it may be possible to “skip” a week so that the class does not conflict with the ASA International Conference, so please let us know if you wish to attend both the class and the ASA Conference in Las Vegas.).

Contemporary Art: This course will explore the dynamics of contemporary art and its market. Participants will have a day-long, overview of the contemporary art world from 1960 to the present, and be exposed to a full range of work made during this time period. Students will learn about recent art practices through a curriculum that will provide PowerPoint lectures and conversations with a visiting artist and an auction house specialist. The class will conclude with a field trip to the Museum of Contemporary Art, Chicago to view the exhibition Alexander Calder and Contemporary Art: Form, Balance and Joy.

Both classes will be held in Wieboldt Hall on Northwestern’s campus in downtown Chicago, near the Water Tower.

For additional information, please visit: http://www.scs.northwestern.edu/pdp/pdp/courses/?Program=APPRaisal

For registration help, do not hesitate to contact me directly.

Next fall we hope to announce some new courses in the Decorative Arts, and I encourage Chicago ASA members to contact me with further suggestions.

Business Valuation Education Courses

The ASA Business Valuation Committee has updated their Principles of Valuation (POV) Education Series with a new and improved curriculum. This new curriculum is designed to address current topics which appraisers face. Information on the new curriculum can be found at www.appraisers.org.
GENERAL INFORMATION

Designations Awarded

The Chicago Chapter of ASA is proud to announce the following designations were awarded since March, 2010.

- **Business Valuation**
  - Pierre Corval, AM
  - Bradley Hirsch, ASA
  - Steven C. Huffines, ASA
  - Matthew C. Jones, ASA
  - Shaunak Patel, ASA
  - Orlando Visbal, ASA
  - Craig Cox, ASA
  - Personal Property/Fine Arts
  - Real Property

Website Updates

*By John Friedman*

I am proud to announce our recently updated Chicago Chapter website. Our new website has a new look and feel and it gives the chapter greater flexibility to post more information. The site is now integrated with ASA International headquarters’ website. http://www.appraisers.org/ChicagoHome/Chicago.aspx

There are a few new features at the headquarters’ website http://www.appraisers.org that can greatly benefit members. The new “Find an Appraiser” feature allows people searching for an appraiser to add keywords which narrows the focus and enables them to find someone within an area of specialization. For those of you that have not done so, please log on to the website’s member area and add details to your profile - including keywords and what geographic region you are willing to work.

Another great new addition to the website is the Members’ Forums. Once you have logged into the site you need to select the navigation tab titled “For Members” and the submenu “Growing Professionally” to see a list of forums. Currently there are forums for each discipline, each chapter, and each committee. These forums can be great for discussion, if you need advice or help on an appraisal, or just for general feedback. There is a current forum discussion from the MTS committee about the definitions of value which has sparked some very interesting conversation.

Please take a moment to update your information on the ASA website so you can take advantage of the improved “Find an Appraiser” feature. Also, make sure you visit the new Chicago chapter website. Come back often because we will be updating the site with news and upcoming events.

Facebook and Twitter

Follow the Chicago Chapter #033 of ASA on Facebook and Twitter! Make the connection. Keep up and support your local chapter.

Appraisal Publication

The Foundation for Appraisal Education, a non-profit organization dedicated to the advancement of education related to the personal property appraising field, has published a new annual journal titled the *Journal of Advanced Appraisal Studies*, 2010. The cost is $55.00 and free shipping is still available. Contact info@foundationforappraisaleducation.org.

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**Welcome New Members**

John Conroy
Pierre Corval
James Frederick

Certified General real estate appraiser needed to perform commercial work.

Charles Davidson, Principal
Davidson and Associates
Rockford, Illinois
www.davidsonappraisal.net
815-231-7084

**Job Opportunity**

Christopher Glad
Rupa Mehta
Purab Raipanchola

**Business Valuation Standards**

The BV Standards Subcommittee is developing Procedural Guidelines to address the valuation of minority and fractional ownership interests. Currently, the subcommittee is seeking public comment on the proposed Guidance. There are also additional opportunities for input on a variety of topics addressed by the standards subcommittee. For additional information, please visit www.asabv.org/index.php?content=PG-2:Valuation_of_Partial_Ownership_Interests.

**From the Editor**

Get to know your chapter and become involved- help with the Newsletter. Also, know of an upcoming event or job? Have a photograph of your ASA colleague at an event an appraisal-related event? Would you like to write an article for the Newsletter? Suggestions? Contact Lela Hersh at 847.780.4560 or by email lelahersh@comcast.net.
Depreciation & Life Estimation Studies
By Park R. Johnson, ASA

On April 22, 2020, the Chicago Chapter of American Society of Appraisers proudly presented Depreciation & Life Estimation Studies featuring Jerome (Jerry) C. Weinert.

Mr. Weinert is an Accredited Senior Appraiser (ASA, 1982) in the American Society of Appraisers, a Registered Professional Engineer in the State of Wisconsin (1976), and a Certified Depreciation Professional (CDP, 1997) in the Society of Depreciation Professionals. He has been engaged at AUS Consultants [AUS Inc (ausinc.com)] since 1987 in their Valuation and Depreciation group which he manages. Prior to AUS, Mr. Weinert was engaged in the American Appraisal Associates’ Regulated Industries Division (1970 through 1986). He has testified in various courts and regulatory hearings over his career and is currently involved in valuation issues related to property taxation for many major communications companies.

Mr. Weinert gave a superb presentation focused on appraisal depreciation and how it could be quantified and addressed through age-life depreciation methods. Statistical depreciation (life) study theory, methods and examples were discussed, including the following:

- An overview of survival/retirement patterns as depicted by survivor formulae and/or survivor curves, which are an integral part of statistical life analysis methods.
- Iowa-type survivor/retirement curves and how they are used in predicting depreciation.
- Ways to adjust the statistical life analysis results to incorporate functional obsolescence factors which do not necessarily cause the timely retirement of property, yet still affect the property’s value.
- An examination of external obsolescence and market considerations and the issues of whether to include them in the determination of the depreciation life.
WHAT'S BEEN GOING ON?

Highlights from the ASA/BVA Advanced Business Valuation Symposium

By Erin D. Hollis

On Friday, May 21st the Chicago ASA Chapter co-sponsored an Advanced Business Valuation Symposium with the Business Valuation Association of Chicago (BVA). Erin Hollis, ASA, and Daniel Van Vleet, ASA, served as co-emcees of the event held at the Hard Rock Hotel Chicago. This day-long event was filled with presentations on advanced business valuation topics given by highly knowledgeable speakers.

The program began with cost of capital authority Roger Grabowski, ASA, and his presentation on the “Equity Risk Premium” and concerns utilizing historical data. As always, Roger was extremely informative and masterfully guided the audience through his analysis of measuring equity risk premia estimates through the financial crisis. Larry Levine, ASA, and Frank Dos Santos presented on “Valuing of Illiquid Financial Instruments.” This sophisticated topic brought awareness to the audience regarding the recent and pending changes to fair value accounting, valuing bank debt, corporate bonds, and structured products. The morning presentations ended with Daniel Van Vleet, ASA, who spoke on the “Valuation of Controlling Interests in Pass-Through Entities.” As one of the foremost authorities on pass-through entity valuation, Van Vleet gave attendees several important points to contemplate, including shareholder control, shareholder provisions, and methodologies, as they conduct their own analysis for clients.

The event keynote speaker was John Moag, CEO of Moag & Company. Moag gave the audience some behind-the-scenes information on sports deals and transactions over the past few years. He also discussed valuation multiples of sports teams in the NFL and NBA, as well as the impact athlete contracts and venue strength have on revenue stream. Following Moag’s speech was a presentation on “Valuation in an Era of Healthcare Reform.” Well-known healthcare enterprise expert Robert Cimasi, ASA, wowed the audience with his advanced knowledge on the changing environment in the healthcare industry. The final speaker of the day was Dr. Richard Ruback of Harvard Business School. He discussed the fundamental examination of the lack of evidence for the substantiation of a firm specific risk adjustment in every valuation assignment. Additionally, Ruback discussed the recent Sunbelt Beverage Corp. case and the basis for the Delaware Chancery Court’s adoption of his opinion that a firm specific risk adjustment was not appropriate.

Throughout the day attendees had the opportunity to ask speakers questions and get answers on some real-life situations. Feedback from attendees during and following the event was extremely positive. All thought the event definitely lived up to its “advanced” categorization, based on the level of current topics and trends presented.
Chicago Chapter Members in the News

Douglas R. Krieser, ASA, FRICS presented an ASA webinar on May 4th. The webinar presented an introduction for the tangible asset appraiser to SFAS 157 (ASC 820) and to the term “Fair Value” and provided some guidance on its use. The webinar offered a clear overview of the complicated subject and concluded with a lively question and answer session involving participants from all over the country. Krieser is the President and founder of Valcon Partners Ltd., a valuation and consulting firm based in Crystal Lake.

Kenneth M. Dufour, ASA organized and spoke at the Aircraft Education Program for the National Aircraft Finance Association & ASA at the 10th Annual NAFA/ASA Education-Appraisers Seminar. The program was held in conjunction with the 39th Annual NAFA Conference on April 20 in Scottsdale, Arizona. Dufour is the President of Aviation Management Consulting, Inc. in Rockford, Illinois, and he is Adjunct Professor at Embry-Riddle Aeronautical University, where he also serves as a member of the Board of Trustees.

John Josko, MRICS, ASA, Industrial Assets Appraisal & Consulting will be moderating a breakfast panel on Access to Capital: How Deals Get Done in this Market on June 25, 2010, at Conference Center at UBS Tower from 8:00 – 10:00 a.m. featuring Niall Collins MRICS, Project Director, Shelbourne Development Group; Karen Hunt, Senior Vice President, First Bank and Trust; Jeanne Reynolds, Fifth Third Bank and Lawrence Souza FRICS CCIM CRE, The Johnson Souza Group.

Congratulations Daniel R. Van Vleet, ASA International Secretary/Treasurer - ELECT

Lela Hersh, AM, who will be teaching a 2-day class on Contemporary Art at Northwestern University, recently curated an exhibition titled Sculpture Invasion 2010, at the Koehnline Museum of Art, Oakton Community College, Des Plaines, Illinois. The juried exhibition featured 40 works from the membership of Chicago Sculpture International, an affiliate of the International Sculpture Conference. The exhibition presents numerous large outdoor sculptures throughout the Oakton Sculpture Park, and also includes smaller sculptures that are displayed indoors and is accompanied by a fully illustrated catalogue.

Patricia H. Atwood, ASA, who is Personal Property Discipline Chairman and Vice President of the Chicago Chapter of ASA, will be teaching PP/GJ 201, the ASA Principles of Valuation class at Northwestern University from September 23 through 28th. For more information, please go to Northwestern’s website at http://www.scs.northwestern.edu/pdp/npdp/appraisal. Atwood will also be teaching a class entitled Appraising Antique Clocks at the Rhode Island School of Design from October 22-23. Information about that class is available at http://www.risd.edu/conted.cfm.
Chicago Appraisal Times is an online newsletter published quarterly by the Chicago Chapter of the American Society of Appraisers, an international, non-profit organization that teaches, tests, and awards designations in all appraisal disciplines, including Business Valuation, Gems and Jewelry, Machinery and Technical Specialties, Personal Property, and Real Estate.

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