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HYDE Valuations, Inc.

We Value Both Real Estate and Businesses
Including Machinery & Equipment

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Can You Judge an Appraisal Report by its Cover?

Merry Christmas!



You've heard the adage that one cannot judge a book by its cover? Well, as far as an appraisal report goes, that is not entirely accurate. While there are many things one cannot tell about a report just by looking at the cover, there are several things that the cover tells you immediately.

1. If the report is just a couple of pages long, it tells you that there are very few (if any) statements supporting the value conclusion contained therein.

This can be a problem, especially if another appraiser writes a thorough report providing supporting arguments for each of the many subjective decisions that must be made in any appraisal report. After all, in the end, the final number determined in the report doesn't mean anything by itself. It's the support and reasoning behind the value conclusion that will be most important for a trier of fact or other users of the report.

2. Is the report just stapled in a corner or does it actually have a cover?

Most reports prepared for an attorney have been bound in some way. Those reports that are just stapled in one corner may have been prepared for some other purpose besides the one you require. If that is the case, that fact could have a detrimental effect on the case for which you required an appraisal.

A corner stapled report may just be a photocopy of an actual signed and authorized appraisal report. Be careful of filing a photocopy of a report with the warning printed inside, "Do not photocopy this report". Appraisals prepared for one purpose based on specific requirements may not be applicable for a different purpose.

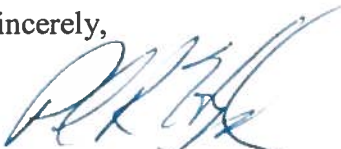
Here are a few examples: Most businesses are sold as “asset sales,” but most business appraisals we see appraise the value of the stock, i.e. the equity in the company. A real estate appraisal may be based on some assumptions incompatible with the now contemplated use of the report. There is usually a big difference in the value of equipment appraised “in use, in place” and “forced liquidation,” or even, “orderly liquidation.”

3. What is the effective date of the report?

Appraisals are date specific. This means that the concluded value is only valid for the effective date as subsequent information and events may have an impact on the valuation conclusion. The effective date should be printed prominently on the cover or cover page of the report so the reader will know as of what date the valuation is reporting. It doesn't do any good to have a report with an effective date incompatible with the purpose required.

Valuations play a part in all strategic transactions, tax, and many litigation matters. For additional information or advice on a current situation, please do not hesitate to call. **We value both real estate and businesses including machinery & equipment.**

Sincerely,



Paul R. Hyde, EA, MCBA, ASA, MAI
Enrolled Agent – Enrolled to Practice Before the IRS
Master Certified Business Appraiser
Accredited Senior Appraiser – Business Valuations
Designated Member – Appraisal Institute (MAI) & Certified General Real Estate Appraiser
Accredited Senior Appraiser – American Society of Agricultural Appraisers (Personal Property)

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