

HOFF APPRAISAL ASSOCIATES

7645 Baker Street NE, Minneapolis, MN 55432
(612) 521-5700 • Fax: (612) 521-9358

*Sample
Appraisal
Report*

HOFF APPRAISAL ASSOCIATES

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THIS REPORT IS ONLY VALID IN ITS ENTIRETY

HOFF APPRAISAL ASSOCIATES

7645 Baker Street NE, Minneapolis, MN 55432
(612) 521-5700 • Fax: (612) 521-9358

(Name of Client Company)
(Street Address)
(City, State Zip Code)

Inspection Date & Effective Date
00/00/0000

APPRAISAL REPORT

Prepared for

(Name of Client Company)
(Street Address)
(City State, Zip Code)

HOFF APPRAISAL ASSOCIATES

(Date)

(Name of Client Contact)
(Name of Client Company)
(Street Address)
(City State Zip Code)

Dear Mr./Ms. **(Name of Client Contact)**:

Pursuant to your request I have prepared this Appraisal Report of the Machinery and Equipment located at **(Name of Company Appraised)**. The Machinery and Equipment detailed in this report was viewed by the Signature Appraiser on **(Date of Inspection)**. The Intended User of this report is **(Name of Client Company), (City, State)**. The Intended Use of this report is to provide information to **(Name of Client Company)** that will be used in discussions with **(Name of Company Appraised)** for Business and Financial Planning purposes. The value definitions reported were chosen through discussions between **(Name of Client Company)**, and Hoff Appraisal Associates. Based on the provided information, the value type was determined by the appraiser to be appropriate for the Intended Use of this report.

It is my opinion that as of the effective date and the inspection date of **(Date)** the Machinery and Equipment has a "FAIR MARKET VALUE" of **\$248,200**.

The "FAIR MARKET VALUE" as defined by the (AMEA) Association of Machinery and Equipment Appraisers being as follows:

"FAIR MARKET VALUE", as used in this report is a professional opinion of the estimated most probable price expressed in terms of currency to be realized for property in an exchange between a willing buyer and a willing seller, with equity to both, neither being under any compulsion to buy or sell, and both parties fully aware of all relevant facts as of the effective date of the appraisal report.

(Name of Client Contact)
(Name of Client Company)
(Street Address)
(City State Zip Code)

It is my opinion that as of the effective date and inspection date of **(Date)** the Machinery and Equipment has a "ORDERLY LIQUIDATION VALUE" of **(\$207,800)**.

The "ORDERLY LIQUIDATION VALUE", as defined by the (AMEA) Association of Machinery and Equipment Appraisers being as follows:

"ORDERLY LIQUIDATION VALUE", as used in this report being defined is a professional opinion of the estimated most probable price expressed in terms of currency which the subject equipment could typically realize at a privately negotiated sale, properly advertised and professionally managed, by a seller obligated to sell over an extended period of time, usually within six to twelve months, as of the effective date of the appraisal report. Further, the ability of the asset group to draw sufficient prospective buyers to insure competitive offers is considered. All assets are to be sold on a piecemeal basis 'as is' with purchasers responsible for removal of assets at their own risk and expense. Any deletions or additions to the assets appraised could change the psychological and/or monetary appeal necessary to gain the value indicated.

No investigation has been made into title to the property and all items described are assumed to be the property of the subject company.

This opinion is based upon the belief that there are no extraordinary conditions which would have an impact on the value.

No Allowance has been made for possible liens or encumbrances which may be against the property.

(Name of Client Contact)
(Name of Client Company)
(Street Address)
(City State Zip Code)

Consideration for possible environmental hazards from any source is beyond the scope of this appraisal

Since the conclusion and/or opinions of the writer of this letter are based upon judgments, isolation of any single element as the sole basis of comparison to the whole letter may be inaccurate.

As the owner of Hoff Appraisal Associates, I certify that this opinion is unbiased and that neither I nor Hoff Appraisal Associates or any of its employees have any interest in the subject property. The fees charged for this opinion were not contingent on the values reported nor were any undisclosed fees, commissions, or other compensation received.

Yours Truly,

Dennis Hoff
President
HOFF APPRAISAL ASSOCIATES

DH:ng

HOFF APPRAISAL ASSOCIATES

7645 Baker Street NE, Minneapolis, MN 55432
(612) 521-5700 • Fax: (612) 521-9358

DOES

CERTIFY

That on this date given in the certificate, the property of

(Name of Client Company)
(Street Address)
(City State Zip Code)

WAS WELL AND REASONABLY WORTH:

\$248,200

ON THE BASIS OF ITS FAIR MARKET VALUE
APPRAISAL REPORT

The "FAIR MARKET VALUE" as defined by the (AMEA) Association of Machinery and Equipment Appraisers being as follows:

The "FAIR MARKET VALUE", as used in this report being defined as a professional opinion of the estimated most probable price expressed in terms of currency to be realized for property in an exchange between a willing buyer and a willing seller, with equity to both, neither being under any compulsion to buy or sell, and both parties fully aware of all relevant facts as of the effective date of the appraisal report.

The Signature Appraiser has Not appraised these assets within the last 3 years.

"Effective Date"
(DATE)

BY: _____
Dennis Hoff
President

HOFF APPRAISAL ASSOCIATES

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DOES

CERTIFY

That on this date given in the certificate, the property of

(Name of Client Company)
(Street Address)
(City State Zip Code)

WAS WELL AND REASONABLY WORTH:

\$207,800

ON THE BASIS OF ITS ORDERLY LIQUIDATION VALUE
APPRAISAL REPORT

The "ORDERLY LIQUIDATION VALUE", as defined by the (AMEA) Association of Machinery and Equipment Appraisers being as follows:

"ORDERLY LIQUIDATION VALUE", as used in this report being defined is a professional opinion of the estimated most probable price expressed in terms of currency which the subject equipment could typically realize at a privately negotiated sale, properly advertised and professionally managed, by a seller obligated to sell over an extended period of time, usually within six to twelve months, as of the effective date of the appraisal report. Further, the ability of the asset group to draw sufficient prospective buyers to insure competitive offers is considered. All assets are to be sold on a piecemeal basis 'as is' with purchasers responsible for removal of assets at their own risk and expense. Any deletions or additions to the assets appraised could change the psychological and/or monetary appeal necessary to gain the value indicated.

The Signature Appraiser has Not appraised these assets within the last 3 years.

"Effective Date"
(DATE)

BY: _____
Dennis Hoff
President

HOFF APPRAISAL ASSOCIATES

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CERTIFICATION

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

I have personally viewed the property that is the subject of this report.

Dennis Hoff

Date: _____

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NOTES AND COMMENTS

The Machinery and Equipment detailed in this report was physically inspected by the Signature Appraiser on ***(Date of Inspection)***. The Intended User of this report is ***(Name of Client Company)***, ***(City, State Zip Code)***. The Intended Use of this report is to provide information to ***(Name of Client Company)*** that will be used in discussions with ***(Name of Company Appraised)*** for Business and Financial Planning purposes. The value definitions reported were chosen through discussions between ***(Name of Client Company)***, and Hoff Appraisal Associates. Based on the provided information, the value type was determined by the appraiser to be appropriate for the Intended Use of this report. The following comments should be considered an integral part of this report.

The Machinery and Equipment, at the time of the inspection, appeared to be in good operating condition. Machines not in service are noted as such in the appraisal. The machinery detailed in this report is standard metalworking type and can be used in most standard manufacturing processes. The machinery is not limited to producing only the parts being manufactured for existing customers. The company is a "Job Shop Stamping and Fabricating" facility that is capable of producing varied parts for many industries.

The Cost, Income, and Market Approaches were considered for this report. The Cost and Market Approaches were used and the Income Approach was deemed inappropriate for the value conclusions found in this report.

The Appraiser is the owner of Hoff Appraisal Associates, Hoff Machinery, and Hoff On-Line Auction Services (Formerly Hoff-Hilk Auction Service). Hoff Machinery or Hoff On-Line Auction Service May or May Not Have sold equipment to ***"Company Name being Appraised"*** within the last 3 years.

The scope of this report is limited to the Machinery and Equipment at this facility and does not include any land, buildings, or lease hold improvements.

Perishable tooling, inspection hand tools, machine accessories, factory supplies, minor shop equipment, selected business machines and office furnishings will be grouped, identified and evaluated in aggregate as lots.

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NOTES AND COMMENTS

(Continued)

The values placed on the Machinery and Equipment is determined by the use of standard and accepted appraisal procedures. This includes the physical inspection of each machine. During the inspection, the manufacture, model, serial number, attachments, and tooling are identified. The ages of the machines are determined through the Serial Number Reference Book and also through calls to distributors and manufacturers. The values are determined by the use of comparative recent selling prices of similar machines. The recent selling figures were obtained from the data collected in the course of research and analysis may include, but not limited to; Market Data from Used Equipment Dealers that sell comparable equipment; conversations with New Equipment Manufacturer's; Consultation with Auctioneers, Liquidators and Equipment Brokers of comparable equipment; In-House Data Bases; Industry Data Bases; Trade Journals and Industry Periodicals and the Appraiser's over 45 years of experience in the buying and selling of Capital Equipment were also utilized.

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RESEARCH BIBLIOGRAPHY

1. The Book
Gainesville, Georgia
2. The Surplus Record
Chicago, Illinois
3. The Locator
Alexandria, Virginia
4. MachineTools.com
West Bloomfield, Michigan
5. Machinery Trader
Lincoln, Nebraska
6. Hoff Appraisal Internal Library
Minneapolis, Minnesota

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APPROACHES TO VALUE

“All approaches below have been considered”

Market Approach:

One of the three recognized approaches used in appraisal analysis, this approach involves the collection of market data pertaining to the subject assets being appraised. This approach is also known as the ‘Comparison Sales Approach’. The primary intent of the market approach is to determine the desirability of the assets and recent sales of offerings of similar assets currently on the market in order to arrive at an indication of the most probable selling price for the assets being appraised. If the comparable sales are not exactly similar to the asset being appraised, adjustments must be made to bring them as closely in line as possible with the subject property.

Cost Approach:

One of the three recognized approaches used in appraisal analysis, this approach is based on the proposition that the informed purchaser would pay no more for a property than the cost of producing a substitute property with the same utility as the subject property. It considers that the maximum value of a property to a knowledgeable buyer would be the amount currently required to construct or purchase a new asset of equal utility. When subject asset is not new, the current cost must be adjusted for all forms of depreciation as of the effective date of the appraisal.

Income Approach:

One of the three recognized approaches used in appraisal analysis, this approach considers value in relation to the present worth of future benefits derived from ownership and is usually measured through the capitalization of a specific level of income. This approach is the least common approach used in the valuation of machinery and equipment since it is difficult to isolate income attributable to such assets. “As it relates to the subject, the assets do not trade on income”.

DEPRECIATION

Defined as the actual loss in value or worth of a property from all causes including those resulting from physical deterioration, functional obsolescence, and economic obsolescence.

Physical Deterioration:

A form of depreciation where the loss in value or usefulness of an asset is attributable solely to physical causes such as wear and tear and exposure to the elements.

Functional Obsolescence:

A form of depreciation where the loss in value is due to factors inherent in the property itself and due to changes in design, or process resulting in inadequacy, over capacity, excess construction, lack of functional utility, or excess operating costs.

Economic Obsolescence:

A form of depreciation caused by unfavorable external conditions or loss in value. These can include such things as the economics of the industry, availability of financing, loss of material and labor sources, passage of new legislation, and changes in ordinances.

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DEFINITION OF VALUES

Fair Market In-Place Value:¹

A professional opinion of the estimated most probable price expressed in terms of currency to be realized for property in an exchange between a willing buyer and a willing seller, with equity to both, neither being under any compulsion to buy or sell, and both parties fully aware of all relevant facts, as installed for intended utilization, as of the effective date of the appraisal report.

Machinery & Equipment Fair Market Value:¹

The "FAIR MARKET VALUE", as used in this report being defined is a professional opinion of the estimated most probable price expressed in terms of currency to be realized for property in an exchange between a willing buyer and a willing seller, with equity to both, neither being under any compulsion to buy or sell, and both parties fully aware of all relevant facts as of the effective date of the appraisal report.

Medical Fair Market Value:²

The "FAIR MARKET VALUE", means the value in arm's-length transactions, consistent with the general market value. 'General Market value' means the price that an asset would bring as the result of *bona fide* bargaining between well-informed buyers and sellers who are not otherwise in a position to generate business for the other party, or the compensation that would be included in a service agreement as the result of *bona fide* bargaining between well-informed parties to the agreement who are not otherwise in a position to generate business for the other party, on the date of acquisition of the asset or at the time of the service agreement. Usually, the fair market price is the price at which *bona fide* sales have been consummated for assets of like type, equality, and quantity in a particular market at the time of acquisition, or the compensation that has been included in *bona fide* service agreements with comparable terms at the time of the agreement, where the price or compensation has not been determined in any manner that takes into account the volume or value of anticipated or actual referrals.

FAIR MARKET VALUE in CONTINUED USE with ASSUMED EARNINGS:³

"FAIR MARKET VALUE in CONTINUED USE with ASSUMED EARNINGS", as used in this report is a professional 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.

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DEFINITION OF VALUES

Orderly Liquidation Value:¹

A professional opinion of the estimated most probable price expressed in terms of currency which the subject equipment could typically realize at a privately negotiated sale, properly advertised and professionally managed, by a seller obligated to sell over an extended period of time, usually within six to twelve months, as of the effective date of the appraisal report. Further, the ability of the asset group to draw sufficient prospective buyers to insure competitive offers is considered. All assets are to be sold on a piecemeal basis 'as is' with purchasers responsible for removal of assets at their own risk and expense. Any deletions or additions to the assets appraised could change the psychological and/or monetary appeal necessary to gain the value indicated.

Forced Liquidation Value:¹

A professional opinion of the estimated most probable price expressed in terms of currency which could typically be realized at a properly advertised and conducted public auction sale, held under forced sale conditions and under present day economic trends, as of the effective date of the appraisal report. Conclusions taken into consideration are physical location, difficulty of removal, physical condition, adaptability, specialization, marketability, overall appearance and psychological appeal. Further, the ability of the asset group to draw sufficient prospective buyers to insure competitive offers is considered. All assets are to be sold on a piecemeal basis 'as is' with purchasers responsible for removal of assets at their own risk and expense. Any deletions or additions to the total assets appraised could change the psychological and/or monetary appeal necessary to gain the price indicated.

Insurable/Cash Value:¹

A professional opinion estimated in terms of currency that would be required to duplicate, as nearly as possible, the equipment described in the appraisal report. This value includes machine cost, freight, rigging, installation, electrical and pneumatic connections, foundation costs and leveling of the equipment. In cases where individual machines cannot be replaced model for model, a machine of equal capacity and similar age would be substituted. This value makes no provisions for travel costs, loss of business costs, and applicable taxes.

¹ As defined by the (AMEA) Association of Machinery and Equipment Appraisers.

² According to Section 1877(h)(3) of the Social Security Act and further defined in the Stark II, Phase III Final Rule (42 CFR Section 411.351), an appropriate premise of value when purchasing medical practices is Medical Fair Market Value as defined above.

³ As defined by the (ASA) American Society of Appraisers.

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STATEMENT OF CONDITIONS

All facts and data set forth in this report are based upon an estimate of value only and are true and accurate to the best of the appraiser's knowledge and belief.

No investigation has been made into the title of the property and all items listed are assumed to be the property of the subject company.

No consideration has been given to liens or encumbrances, which may be against the property other than those discussed in this report.

The appraiser's opinion of machinery and equipment condition is derived from a limited visual inspection and/or discussions with maintenance personnel or operators, if available. The equipment was not tested under power for defects. Operating individual pieces of equipment to test their status was beyond the scope of the investigation. The values reported assume the equipment is operational and serviceable unless otherwise stated in the report.

We have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

This appraisal has been made in accordance with accepted appraisal practices and in accordance with the Association of Machinery and Equipment Appraisers Standards and Procedures of Professional Appraisal Ethics and Practice and the Uniform Standards of Professional Appraisal Practice and reflects the best judgment of the appraiser. When appropriate, new and used equipment dealers have been consulted for comparable prices; and catalogs, trade publications and comparative results of auction sales have been utilized.

Information provided by others has been assumed to be correct for the purposes of this report and no responsibility is taken for the accuracy of it.

Since conclusions by the appraiser are based upon judgments, isolation of any single element as the sole basis of comparison to the whole appraisal may be inaccurate.

The fees for this appraisal are not contingent upon values reported.

Consideration of possible environmental hazards from any source goes beyond the scope of this appraisal report.

It is assumed that there are no hidden or unapparent conditions of the equipment, which would render it more or less valuable.

Other limitations or assumptions, if any, are clearly defined and individually set out at the point relating to the subject.

The appraiser is not required to give testimony, be present in any court of law, or appear before any commission or board by reason of this appraisal, unless prior arrangements have been made.

HOFF APPRAISAL ASSOCIATES

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(Name of Client Company)
(Street Address)
(City, State Zip Code)

Inspection Date & Effective Date
00/00/0000

APPRAISAL REPORT

HOFF APPRAISAL ASSOCIATES

7645 Baker Street NE, Minneapolis, MN 55432
(612) 521-5700 • Fax: (612) 521-9358

| <u>ITEM #</u> | <u>AIR COMPRESSORS</u> | <u>ORDERLY LIQUIDATION</u> | <u>FAIR MARKET</u> |
|---------------|---|----------------------------|--------------------|
| 1 | 1-Used Ingersoll Rand Model PAC-AIR 75 Rotary Type Air Compressor, Serial No. K2116U66435, (New 1985), 340 CFM, 120 Gallon Horizontal Receiving Tank, 125-HP Motor & Controls | \$12,500 | \$14,000 |
| 2 | 1-Used Gardner Denver Model "Electro Saver II" Rotary Screw Type Air Compressor, Serial No. A117664, (New 2002), 50-HP Motor & Controls | \$5,000 | \$6,500 |
| 3 | 1-Used Ingersoll Rand Model 30T Reciprocating Type Air Compressor, Serial No. 14765, (New 1985), 120 Gallon Horizontal Receiving Tank, 60-HP Motor & Controls | \$3,000 | \$4,200 |
| 4 | 1-Used Zeks Model 600 HSEA 500 Heatsink Refrigerated Air Dryer, Serial No. 155439-M200, (New 2000), 600 SCFM, LED Controller, 1-HP Motor & Controls | \$2,000 | \$2,500 |

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| <u>ITEM #</u> | <u>BRAKE-PRESSES</u> | <u>ORDERLY LIQUIDATION</u> | <u>FAIR MARKET</u> |
|---------------|---|----------------------------|--------------------|
| 5 | 1-Used Pacific Model J55 Hydraulic Press Brake, Serial No. 7645, (New 1973), 55 Ton Capacity, 8' Bed & Ram, 6'6" Between Housings, DRC Single Axis CNC Back Gauge, Motor & Controls | \$8,500 | \$10,000 |
| 6 | 1-Used Verson Model 1050 Mechanical Press Brake, Serial No. 19265-1647, (New 1996), 15 Ton Capacity, 4' Bed & Ram, 3'2" Between Housings, Hand Ram Adjustment, Motor & Controls | \$2,800 | \$4,000 |

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| <u>ITEM #</u> | <u>MACHINING CENTERS VERTICAL</u> | <u>ORDERLY LIQUIDATION</u> | <u>FAIR MARKET</u> |
|---------------|---|----------------------------|--------------------|
| 7 | 1-Used Okuma Model MU-410V Vertical Machining Center, Serial No. 104652, (New 2002), 30" X-Travel, 18" Y-Travel, 18" Z-Travel, 8000 RPM, 48 Tool Automatic Tool Changer, CAT 50 Taper In Spindle, Chip Conveyor, w/Okuma CNC Control, Motor & Controls | \$135,000 | \$150,000 |
| 8 | 1-Used Fadal Model VMC-15 CNC Vertical Machining Center, Serial No. 933268, (New 1994), 20" X-Travel, 16" Y-Travel, 20" Z-Travel, 15 Tool Automatic Tool Changer, 4 th Axis Interface, CAT 40 Taper In Spindle, Rigid Tapping w/Fadal CNC 88HS CNC Control, Motor & Controls | \$15,000 | \$20,000 |

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| <u>ITEM #</u> | <u>MATERIAL HANDLING EQUIPMENT</u> | <u>ORDERLY LIQUIDATION</u> | <u>FAIR MARKET</u> |
|---------------|--|----------------------------|--------------------|
| 9 | 1-Used Clark Model CGC30 Fork Lift Truck, Serial No. 465L-5386-6533FB, (New 1966), 5000 LB Capacity, 205" Vertical Lift, Side Shift, Cushion Tires, LP Powered | \$5,000 | \$6,500 |
| 10 | 1-Used Caterpillar Model T40D Fork Lift Truck, Serial No. 1LC43223, (New 1990), 4000 LB Capacity, 173" Vertical Lift, Cushion Tires, LP Powered | \$4,000 | \$5,500 |

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| <u>ITEM #</u> | <u>MISCELLANEOUS MACHINERY & EQUIPMENT</u> | <u>ORDERLY LIQUIDATION</u> | <u>FAIR_ MARKET</u> |
|---------------|--|--------------------------------|-------------------------|
| 24 | 1-Used Lot of Machinery and Equipment Including But Not Limited to: 1-HP Portable Vacuum Pump; 2-Wheelers; Belt Driven Buffer with Cabinet; Assorted Step Ladders; Craftsman Pedestal Grinder; Barrel Carts, Shop Vacuums; Tape Dispensers; Pipe Pipe Fittings; Pipe Vise; Camel Back Drill; Buffer; Fork Extensions; Die Filer, Etc. | \$15,000 | \$25,000 |
| | TOTAL MACHINERY & EQUIPMENT | <u>\$207,800</u> | <u>\$248,200</u> |

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"Company Name Appraised"

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Dennis Hoff

E-mail: dennis.hoff@hoffappraisal.com

EDUCATIONAL BACKGROUND:

University of Minnesota
B.S. Business 1967

PROFESSIONAL BACKGROUND:

Mr. Hoff has been in the used machinery business since 1961, employed by Midwestern Machinery through 1971. He founded Hoff Machinery, Inc. in 1972.

Mr. Hoff is a:

- Member of Equipment Appraisers Association of North America
- Graduate of USPAP Course (Uniform Standards of Professional Appraisal Practice)
- Past Vice President of MDNA (Machinery Dealers National Association)

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REFERENCES:

Anchor Bank, Blaine, Minnesota

Bell Bank, Golden Valley, Minnesota

Boeing Company, Seattle, Washington

Central Bank, Golden Valley, Minnesota

Office of the City Attorney, Los Angeles, California

State Bank of Faribault, Faribault, Minnesota

Tesla Motor Company, Fremont, California

US Bank, Minneapolis, Minnesota

Village Bank, Blaine, Minnesota

Contact names will be provided upon request.



Certificate of Completion

for

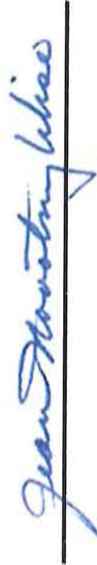
Dennis Hoff

who attended the class and successfully completed the AMEA 7 Hour Course

Uniform Standards of Professional Appraisal Practice (USPAP)

Date: March 8, 2018

Location: Minneapolis, MN

A handwritten signature in blue ink, reading "Jean Stavrotych", is written over a horizontal line.

Instructor

HOFF APPRAISAL ASSOCIATES

(Date)

(Name of Client Contact)
(Name of Client Company)
(Street Address)
(City, State Zip Code)

Dear Mr./Ms. **(Name of Client Contact)**:

We will undertake the Appraisal Report of the Machinery and Equipment located at **(Name of Company Appraised, Street Address, City State)** providing you with the "Fair Market Value" and "Orderly Liquidation Value" of the assets. The Intended User of this report is **(Name of Client Company), (City, State Zip Code)**. The Intended Use of this report is to provide information to **(Name of Client Company)** that will be used in discussions with **(Name of Company Appraised)** for Business and Financial Planning purposes. The Value Definitions reported were chosen by **(Name of Client Company)** and Hoff Appraisal Associates and determined by them to be appropriate for the Intended Use of this report.

The "FAIR MARKET VALUE" as defined by the Association of Machinery and Equipment Appraisers being as follows:

The "FAIR MARKET VALUE", as used in this report being defined is a professional opinion of the estimated most probable price expressed in terms of currency to be realized for property in an exchange between a willing buyer and a willing seller, with equity to both, neither being under any compulsion to buy or sell, and both parties fully aware of all relevant facts as of the effective date of the appraisal report.

(Name of Client Contact)
(Name of Client Company)
(Street Address)
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The "ORDERLY LIQUIDATION VALUE" as defined by the Association of Machinery and Equipment Appraisers being as follows:

The "ORDERLY LIQUIDATION VALUE", as used in this report being defined is a professional opinion of the estimated most probable price expressed in terms of currency which the subject equipment could typically realize at a privately negotiated sale, properly advertised and professionally managed, by a seller obligated to sell over an extended period of time, usually within six to twelve months, as of the effective date of the appraisal report. Further, the ability of the asset group to draw sufficient prospective buyers to insure competitive offers is considered. All assets are to be sold on a piecemeal basis 'as is' with purchasers responsible for removal of assets at their own risk and expense. Any deletions or additions to the assets appraised could change the psychological and/or monetary appeal necessary to gain the value indicated.

Hoff Appraisal Associates will be paid a fee of (\$000.00) for the work associated with providing the report. The attached Engagement Terms and Conditions are necessarily part of this agreement. For accounting and contractual purposes, we require a duly authorized signature confirming our understanding and that there are no contingencies regarding payment for this appraisal.

We will supply one (1) bound original report with color photos and one (1) electronic report with no photos. The report will conform to current USPAP Appraisal Standard guidelines. Payment for the completed report is due upon delivery. Please sign and date the Engagement Letter and mail e-back to us. Thank you for the opportunity to be of service.

(Name of Client Contact)
(Name of Client Company)
(Street Address)
(City, State Zip Code)

Sincerely,

Dennis Hoff
Signature Appraiser
HOFF APPRAISAL ASSOCIATES

DH:ng

Accepted By:

Date:

HOFF APPRAISAL ASSOCIATES

7645 Baker Street NE, Minneapolis, MN 55432
(612) 521-5700 • Fax: (612) 521-9358

ENGAGEMENT TERMS AND CONDITIONS

Payment Terms:

The Client is responsible to make full payment upon completion and delivery of the appraisal report. Payment not received within 15 days of completion of the report will be charged an additional 10% processing fee.

Signed Engagement Letter:

A signed Engagement Letter must be returned to Hoff Appraisal Associates before the inspection of the plant or the completion and delivery of the reports. In signing this engagement letter you are agreeing to all the above terms and conditions.

Cancellations:

The client will receive an invoice for all related direct expenses and research work up to the cancellation date if the client cancels the appraisal prior to its completion.

Changes:

The fee quoted on the Engagement Letter is based on information provided to the appraiser. In engagement situations where the appraiser has not visited the site prior to determining the fee, the appraiser has the right to negotiate a change in the fee if the information provided was not accurate.

Contingencies:

The client will receive up to two (2) hours of post-appraisal discussion and consulting at no charge. If the appraiser is requested to provide additional time for review or if the appraiser is required to testify in any legal matter related to the engagement, the client will be charged at a rate of \$300.00 per hour.

Copies:

Additional copies of the Appraisal Report will be provided at a cost of \$100.00 per report with photos, \$75.00 for report with no photos and \$50.00 for one electronic copy with no photos. This cost includes all office, production and delivery costs associated with providing the additional copies.

Delivery:

The delivery of the final copies of the Appraisal Report will be by the most expeditious method available. If the use of overnight delivery or a courier service is required, the fee will be charged to the client.

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(Continued)

Draft Review:

The client may receive a draft copy of the Appraisal Report for review and acceptance, time permitting. It is the responsibility of the client to review the draft and inform the appraiser of necessary changes, additions, or deletions within three (3) days of receipt of draft. Changes requested after review can result in additional fees.

Expenses:

Direct expenses related to processing the Appraisal Report include the following items: mileage, airfare, airport parking, auto rental, taxi fares, lodging, meals, and permits. Air travel will be arranged at the lowest available cost for direct flights. Lodging will include weekend stays if it results in a lower overall cost to the client.

Separate Reports:

If the appraiser is required to issue the appraisal report to separate and/or additional parties, the client will be charged a fee of \$150.00.

Separation of Assets:

If any assets need to be separated out from the main body of the appraisal report, the appraiser may require additional fees for such separate and distinct sets of reports.

Items not included in Appraisal:

This report is limited to the Machinery and Equipment at the described location and does not include any land, buildings, general inventory, or leasehold improvements.

Grouped Items:

Perishable tooling, inspection hand tools, machine accessories, factory supplies, minor shop equipment, selected business machines and office furnishings will be grouped, identified and evaluated in aggregate as lots.