



ENGAGEMENT AGREEMENT

This letter is to confirm my understanding of your request to appraise the following property by way of a:

- Summary Report
Summary Report (Desktop)

Type of Property Construction equipment
Name Sample Central Manufacturing, Inc
Address 1000 Main Street,
City, State, Zip Code Anytown, CA, USA, 91234

The following parameters of this engagement are also based upon our previous communication. Appraiser is to use the approaches to value he/she feels is applicable, or a blending thereof, in determining value.

Date of Value January 01, 2011
Intended Use Banking and collateral purposes and to be used for no other purpose
Intended Users Ms Linda Smith, President, Sample Central Manufacturing
Type of Value Fair Market Value (FMV)

You have requested that I prepare a Summary Appraisal Assignment as defined by the Uniform Standards of Professional Appraisal Practice:

- 1. The appraisal report will not be given to any other party without the appraiser's approval.
2. The appraiser will report the type of value requested by the client by researching the market and industry, apply the appropriate approaches to value, and provide a written report of his findings.
3. The appraiser is indemnified against any and all problems that may arise from the use of this report. You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence.
4. You agree that, in the event we are judicially determined to have acted negligently in the execution of this engagement damages shall be limited to an amount not to exceed the fee received by us for this engagement.
5. Our liability for injury or loss, if any, arising from the services we provide to you shall not exceed \$5,000 fee, whichever is greater. There shall be no punitive damages. Increased liability limits may be negotiated upon your written request, prior to commencement of our services, and your agreement to pay an additional fee.
6. Your obligation for indemnification and reimbursement shall extend to any controlling person of Rogerson Business Services, Sacramento including any director, officer, employee, subcontractor, affiliate or agent.
7. If in the future the appraiser is called on to testify in court or at deposition regarding the written report, the appraiser will be paid the going hourly rate charged by the appraiser to cover professional time, the gathering of materials, reviewing the case and preparing for testimony along with other expenses incurred. The Appraiser(s) will also be paid the going fee per hour along with reimbursements for testimony if subpoenaed as a witness in a subsequent litigation by any party and such testimony involves the work we performed pursuant to this agreement. If we are ordered by a state or federal judge to permit the subsequent inspection and/or reproduction of files, records, and other documents relating to work performed by us pursuant to this agreement, it is agreed that we may comply with these orders without prior notice to the client.
8. If called on to defend this report to any other party, the appraiser's expenses and hourly rate will be billed on a monthly basis or as incurred.
9. The client will shoulder the responsibility of legal costs incurred by the appraiser when defending this appraisal.
10. Client agrees that the Limiting Conditions, as stated in the report, will be acceptable with the level of work and detail of work to be performed as outlined in the "Scope" section of the report. A sample of the Scope Section has been provided and received by the client.
11. Only the larger items of machinery/equipment will be appraised using the whole range of appraisal methodology. The balance of smaller support items will be valued by way of industry depreciation standards and historical metrics. These smaller items will be valued and reported in bulk.
12. In the unlikely event of a dispute, the parties under the terms of this agreement shall be subject to arbitration. Arbitration shall be conducted in the state of residence of the appraiser.
13. The appraiser certifies that he appraised or otherwise had involvement with the property hereby being appraised in the last three years.

As a result of our previous communication, and at your request, I will report this Summary Appraisal Assignment according to one of the report formats outlined in Standard Rule Eight of the Uniform Standards of Professional Appraisal Practice. Specifically, you have requested that the assignment be reported as a Summary Report Format. I have determined that the chosen report format is consistent with the nature of the assignment and the intended use of the report.

As previously agreed, the fee for this assignment will be \$5,000. The estimated delivery date for the report will be January 28, 2011.

Thank you for the opportunity to be of service. Please sign and date this engagement letter and return the original to our office.

Date
Appraiser

Date
Client



## **Scope Of Work – Fair Market Value**

The appraiser has been asked to provide an appraisal of certain machinery/equipment items.

It has been requested that fee simple interest be reported as an estimation of the Fair Market Value, of the items. It should be noted that if these items should sell under any other scenario, such as in an Orderly Liquidation fashion or a Forced Liquidation fashion (quick sale), then different values, no doubt lesser values would be realized.

This report is identified as a Summary Report that is intended to comply with the reporting requirements as defined under Standards Rule 8-2 (b) of the Uniform Standards of Professional Appraisal Practice (USPAP) for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analyses that are used in the processes to develop the Appraiser's Opinion of Value. Supporting documentation that is not provided with the report concerning data, reasoning; and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated within this report. Not all specific requirements are applicable to every assignment. Due to the large number of subject properties oftentimes appraised in a machinery/equipment appraisal, the summary report is the most commonly used report form. Summary reports are accepted on a daily basis by the courts, taxing authorities, lenders, business owners, accountants, and other users of appraisal services.

The Income Approach would be purely hypothetical in this assignment. The Cost Approach and the Market Data Approach have been utilized for the final value estimate of each item or category with heavy emphasis on the Market Data Approach when possible. The appraiser, when implementing the market data approach, has endeavored to find "sold comparables." That is to say, they are similar items that have actually transferred in ownership. These comparable sales provide the best and most reliable information. However, if actual historical sales information is not available, the appraiser will oftentimes look to the current market of similar items currently for sale. This information can be useful in estimating value. In this report, a search has been made for "sold" items and items currently "for sale."

The appraiser has gathered data on the subject items from as many sources as practical, including but not limited to the original equipment manufacturer (if possible), dealers and brokers of like equipment, published catalogs, and guides of similar equipment as well as the Internet. Upon gathering data regarding new and similar models with characteristics of the subject equipment, the writer has then analyzed the data in an effort to estimate value.

After conversations with various industry professionals, including the above-mentioned sources, the appraiser endeavored to arrive at a value estimate for the subject equipment. After a value was established, this written report was then formulated to set forth the findings and conclusions of the appraiser. An extreme effort was made to comply with the Uniform Standards of Professional Appraisal Practice in providing the final written report.

This is a report estimating value based on reported conditions. If it is the client's desire to verify the physical condition and/or needed repairs of the machinery/equipment, which is the subject of this report, the client should consult a qualified mechanic/technician. To determine actual mechanical condition is outside of the appraiser's expertise and the scope of this assignment.

### **Rogerson Business Services**

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This assignment has called for only the larger, more expensive items owned by the client to be appraised. It is understood that oftentimes there also exist smaller, less expensive ancillary/support items that “support” the larger items. These items, too, obviously have value but do not in and of themselves merit the time and expense of an individual valuation. Therefore, it is agreed by the client’s use of this report, that if these types of items are mentioned in this report, they will be added under a separate section(s) as opposed to the larger capital items, and the appraiser will only apply the Cost Approach (less depreciation) to value. The Market Data Approach will not be applied to the smaller, less significant items, due to time and cost factors required in researching smaller items. These items typically include smaller hand tools, furniture, fixtures, shelving, electronic items, i.e., computers, calculators, copiers, telephone systems, etc., and other less expensive items which are considered to “support” the items, which are the focus of this report. Industry depreciation standards have been applied with little, if any, individual description. Lot pricing is employed with these types of items.

Further, the request to the writer as to the type of report needed was implemented. That is to say, the equipment may be valued in place, in use, and as part of a going concern entity; in place, not in use; in place to be removed; not in place, etc. Many types of equipment items are labor intensive in their millwright, installation, or removal.

This evaluation sets forth the findings and conclusions of the writer, and is based upon an investigation of conditions affecting value, and is subject to the Statement of Limiting Conditions and Definitions. Without reading the Statement of Limiting Conditions and Definitions, the report cannot be fully understood.

The scope of this assignment as explained above has been requested and/or agreed to by the client along with the conditions as stated in the Engagement Agreement.