



HOSCH

Appraisal & Consulting, Inc.

November 18, 2011

Mr. William K. Goodrich
RANDALL and GOODRICH, P.L.C.
2140 Fourth Avenue North
Anoka, MN 55303
bgood@anokalaw.com

VIA EMAIL ONLY

RE: Proposal for Real Estate Appraisals of Three Properties as follows:

- **Lot 1, Block 1, Hauser Addition (PIN No. 29-32-25-14-0013)**
- **Lot 2, Block 2, Hy-10, Ramsey (PIN No: 29-32-25-14-0009)**
- **Lot 3, Block 2, Hy-10, Ramsey (PIN No: 29-32-25-14-0010)**

Dear Mr. Goodrich:

Following our discussions and review of subsequent information you provided, we are pleased to provide you with this proposal for appraisal services involving the above-captioned real estate. It is our understanding that the intended use of the appraisal services is for internal decision-making for possible acquisition involving either total or partial acquisitions.

Scope of Assignment

As discussed, we propose handling this assignment as follows:

Verbal Report of Value Ranges/Potential Value Impacts Followed by Work File Memorandum

Hosch Appraisal & Consulting, Inc. will review all documents to fully understand each property and conduct a thorough interior and exterior inspection of each property. Fee simple real property rights of the subject properties are to be considered (subject to any disclosed or obvious easements and encumbrances) consistent with their highest and best uses. As discussed, we will be requesting assistance from City planning and engineering staff pertaining to potential impacts to zoning compliance, parking, access, topography, etc. where partial acquisitions are anticipated to fully understand the physical and legal impacts to the properties located on Lots 2 and 3, Block 2, Hy-10.

The sales comparison approach will be utilized as the primary approach to value, with an income capitalization approach to be considered if applicable. A range of value will be communicated to you verbally by telephone for each property before the acquisition, with before and after appraisals being conducted on both Lots 2 and 3, Block 2, Hy-10. Our verbal reports of value/potential impacts of the taking will be followed by preparation of a brief work file memorandum in order for our work to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) as well as the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. A copy of our work file memorandum that summarizes the verbal report would be provided to you upon request.

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Description of the Firm

Hosch Appraisal & Consulting, Inc. is a real estate/business valuation and consulting firm that serves both public and private entities and individuals throughout the Midwest. Our geographic concentration is in the Upper Midwest; however, our services continue to expand throughout the country. Hosch Appraisal & Consulting, Inc. is dedicated to providing its clients with quality work prepared by an experienced staff of appraisers/analysts with a wide variety of expertise. This knowledge is achieved by incorporating extensive and continuous education with years of unique field experience.

Technical Qualifications

The most experienced of our staff have obtained the Certified General Real Property Appraiser license from the State of Minnesota, with reciprocity available in other states, and earned the top designation offered by the Appraisal Institute (MAI – designated Member of the Appraisal Institute). Other staff appraisers are candidates for membership, as well as members of various associations. Litigation support is an area of specialty, with involvement in high-profile court cases and decisions throughout the Midwest. Some of our expert testimony experience includes preparation of affidavits, and appearances at depositions, arbitrations, commissioner hearings, district court trials, Minnesota Tax Court trials, U.S. Bankruptcy Court trials and city council meetings.

Real Estate Valuation Expertise

We offer a wide range of services to our clients with an ability to solve some of the most complex valuation problems that surface in the marketplace. Extensive experience includes, but is not necessarily limited to, the following functions: real estate litigation, eminent domain, inverse condemnation claims, special assessment benefits analyses, tax appeals, foreclosure, bankruptcy, mortgage financing, fair market rental analyses (land and building leases), purchase and sale consulting, investment counseling, charitable donations, gift tax, partial sale/gifting, estate planning and settlement, environmental contamination, construction defects, easements and encumbrances, title problems, development consulting, highest and best use, and assignment of financing (conventional and/or tax increment financing (TIF)). Staff members supplement their appraisal and consulting experience by speaking at various seminars and publishing articles on valuation topics.

Our geographic concentration has included over 10 states, with the ability to work in any state.

Business Valuation Expertise

Hosch Appraisal & Consulting, Inc. also offers business valuation services to our clients for a variety of purposes. Our experience includes, but is not necessarily limited to, the following functions: mortgage financing, consulting for purchase or sale, estate planning and settlement, litigation support, and internal decision-making. Staff members continue to expand their knowledge base through continuing education and ongoing contact with market participants.

Special Qualifications

Appraisal and consulting reports prepared for litigation purposes comprise a significant portion of our practice. Our experience includes assignments commissioned by clients who work within both the public and private sectors. Clients also include those who have become familiar with our work product when representing plaintiffs or defendants on an opposing side. Our analyses are well thought-out, supported, and therefore, well respected and received by attorneys and authoritative bodies.

Appraisal and Consulting Fee Structure

Hosch Appraisal & Consulting, Inc. handles its accounts on an hourly basis, with total fees for each individual appraisal of the type proposed in the above Scope of Assignment typically ranging between \$2,500 and \$4,500 depending on the type of acquisition (total or partial) and whether the property includes substantial impacts to evaluate. Due to the complex scope of work outlined above, it is difficult to provide a lump-sum fee quote at this time for each individual appraisal assignment. We keep detailed time sheets on each job and the information is available to our clients, if so desired. The goal is to use a team approach in order to maximize efficiency and match the tasks with the appropriate skills of various team members.

Our normal 2011 billing rates range from \$90 to \$285 per hour (Stephen T. Hosch, MAI has a normal hourly billing rate of \$255 and a trial preparation/testimony rate of \$285 per hour); however, given the potential for a larger volume of work through appraising three properties in the same location, we will provide you with discounted hourly rates equivalent to a 10% discount off our normal 2011 hourly rates for the first year of this proposed contract before rounding to the nearest \$1.00, with hourly rates for the second year of this proposed contract increasing by 3% before rounding to the nearest \$1.00, as follows:

	2011 Normal Hourly Billing Rates*	City of Ramsey 12/1/11-11/30/12 Discounted Hourly Billing Rates*	City of Ramsey 12/1/12 to 11/30/13 Discounted Hourly Billing Rates*
Stephen T. Hosch, MAI	\$255.00	\$232.00	\$239.00
Nathan Brooberg	\$145.00	\$132.00	\$136.00
Derek Pederson	\$145.00	\$132.00	\$136.00
Jonathan Barclay	\$112.50	\$102.00	\$105.00
Ann Hosch	\$90.00	\$82.00	\$84.00

* **The above fee schedules include preparation of an electronic work file memorandum in PDF format. Color hard copies are available at an additional charge, if requested. Travel expenses, long-distance phone calls, and other extraordinary material costs are also billed in addition to the indicated fee quotes. All client meetings, expanded scopes of work (including updates and any upgrades of reporting to narrative appraisal reports, exhibit preparation and testimony) and additional consulting authorized by you are billed in addition to the indicated fee quotes at the above discounted hourly rates.**

No retainer is necessary in order for us to begin working on the assignment. The fee will be billed on the earlier of either a monthly basis or once the job is finished, with payment due immediately upon receipt. We do accept credit card payments with VISA, MASTERCARD and DISCOVER. If you wish to pay by credit card, please call Ann Hosch at our office at (612) 331-1688 to process the transaction over the telephone.

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In the event that there is an order or agreement by a third party to pay or reimburse your fees, you will nonetheless remain directly obligated to us for the payment of the total fees and costs incurred on your behalf. This Agreement may be terminated by you for any reason upon providing written notice to us. Upon any termination of this Agreement, you agree to pay Hosch Appraisal & Consulting, Inc. in full for any expenses incurred and services performed by its appraisers and/or employees up to such time.

If this proposal is consistent with your expectations for appraisal services, please sign and return this original agreement to us (or feel free to email back a signed copy of the signature page). This will then constitute formal authorization to begin working on the assignment. It is assumed that you will be providing us with all relevant background information about the real estate including any listing, offer or sale information within three years prior to the appraisal date, any surveys, topography maps, in advance in order for us to begin a comprehensive work file. Please contact me if you wish to amend the scope of the assignment outlined above.

Thank you for contacting us. If you have any questions or concerns or would like to discuss this matter further, please feel free to contact us at (612) 331-1688. You can also visit our website at www.hoschappraisal.com. We look forward to the opportunity to be of service to you in order to bring this assignment to a successful conclusion.

Sincerely,

Hosch Appraisal & Consulting, Inc.



Stephen T. Hosch, MAI
President

Enclosure

<p><u>Authorization to Proceed</u></p> <p>Name: _____ Mr. William K. Goodrich</p> <p>Date: _____</p>

APPRAISAL CONTRACT CONDITIONS

1. Hosch Appraisal & Consulting, Inc. warrants that the services will be performed in a professional manner, in accordance with established appraisal industry standards. The firm makes no further warranty of any kind, expressed or implied.
2. Disclosure of the contents of this appraisal report is governed by the bylaws and regulations of the professional appraisal organizations with which various appraisers in the firm are affiliated. These include the Appraisal Institute, The Institute of Business Appraisers, The American Society of Appraisers, and The American Society of Real Estate Counselors.
3. Hosch Appraisal & Consulting, Inc. will preserve the confidential nature of information received from the client, in accordance with established professional standards. The client agrees to preserve the confidential format and content of the appraisal report. The report and the appraiser's identity, are not to be used in whole or part, outside the client's organization, without prior written approval, except for review by auditors and legal counsel, and by the representatives of taxing authorities.
4. The persons authorizing the engagement on behalf of the client and Hosch Appraisal & Consulting, Inc. are empowered to do so.
5. The client agrees that Hosch Appraisal & Consulting, Inc. does not, either by entering into this contract, or by performing the services rendered, assume, abridge, abrogate, or undertake to discharge any duty of the client to any other entity.
6. Any use of the appraisal report, by the client, is conditioned upon payment of all fees in accordance with the agreed terms.
7. Appraisal fees are in no way contingent upon values concluded by Hosch Appraisal & Consulting, Inc. or any future event such as the securing of financing.
8. In consideration for performing the services rendered at the fee charged, Hosch Appraisal & Consulting, Inc. expressly limits its liability to five (5) times the amount of the fee paid or \$50,000, whichever is less.
9. Hosch Appraisal & Consulting, Inc. expressly disclaims liability as an insurer or guarantor. Any persons seeking greater protection from loss or damage than is provided for herein, should obtain appropriate insurance.
10. Delivery schedules indicated by fee letters (unless otherwise stated), assume that:
 - A) Written authorization and/or the retainer requested, will be received by a specified date, or in a timely manner;
 - B) All supporting information to be provided by the client, will be readily available or provided in a timely manner; and
 - C) The appraisers employed by Hosch Appraisal & Consulting, Inc. will be afforded ready access to the property to be appraised.
11. Fees quoted in the appraisal engagement letters are due and payable, regardless of whether or not the conclusions reached coincide with the client's expectations.
12. No opinion is intended to be expressed for matters that require legal or other specialized expertise, investigation or knowledge beyond that customarily employed by appraisers in the evaluation of real estate or businesses.
13. Unless specifically brought to the appraiser's attention, the appraiser will assume that there are no hidden or unexpected conditions of the asset to be appraised that would adversely affect or enhance the value.

APPRAISAL CONTRACT CONDITIONS - CONTINUED

14. Hazardous substances, if present within a property, can introduce an actual or potential liability that will adversely affect the marketability and value of the property. Such liability may be in the form of immediate recognition of existing hazardous conditions, or future liability that could stem from the release of currently known hazardous contaminants.
15. In the development of the opinion of value, no consideration will be given to such liability, or its impact on value, unless Hosch Appraisal & Consulting, Inc. is specifically retained to perform or prepare an environmental or toxic contamination analysis. In the event that such a report is prepared by the appraiser, the client nonetheless, releases the appraiser from any and all future environmental liability.
16. In the future, if Hosch Appraisal & Consulting, Inc. is compelled to produce documents or testify with regard to work performed, the client shall reimburse appraiser for all costs and expenses incurred.
17. The client shall indemnify and hold harmless Hosch Appraisal & Consulting, Inc. and its employees, against all claims by any third party or any judgment for loss or damage relating to the performance or non-performance of any services by the appraisal firm.
18. In the event of a dispute involving interpretation or application of this agreement, the parties agree that this agreement shall be governed under the laws of the State of Minnesota.
19. Hosch Appraisal & Consulting, Inc. reserves the right to assess interest charges on all unpaid accounts.
20. Hosch Appraisal & Consulting, Inc. reserves the right to refuse an assignment if the engagement letter is signed by a party other than the addressee of the letter.
21. Hosch Appraisal & Consulting, Inc. reserves the right to assess collection time incurred, if necessary.
22. Liability for appraisal fees is the responsibility of the party signing the appraisal contract or the organization on whose behalf the individual is signing.
23. Hosch Appraisal & Consulting, Inc. and/or the appraisers are not qualified to render expert opinions regarding structural issues, water damage, environmental assessments (such as mold), engineering/mechanical issues, ADA and/or building code compliance, land planning, architectural expertise or soil conditions. If requested, Hosch Appraisal & Consulting, Inc. will recommend qualified experts in these fields to assist the client and/or the appraisal process.
24. In the event that there is an order or agreement by a third party to pay or reimburse your fees, you will nonetheless remain directly obligated to us for the payment of the total fees and costs incurred on your behalf. This Agreement may be terminated by you for any reason upon providing written notice to us. Upon any termination of this Agreement, you agree to pay Hosch Appraisal & Consulting, Inc. in full for any expenses incurred and services performed by its appraisers and/or employees up to such time.

QUALIFICATIONS OF STEPHEN T. HOSCH, MAI

Biographical Data and Education

Born and raised in Columbia Heights, Minnesota, and graduated from Columbia Heights High School. Attended St. Cloud State University and graduated with a Bachelor of Science degree in Real Estate with an emphasis in appraisal.

Successfully completed numerous real estate appraisal courses offered by the Appraisal Institute, as well as attended several seminars covering specialized appraisal topics, some of the more recent of which are highlighted below:

13 th Annual Real Estate Trends Seminar - May 2011	Annual RERC-Industry Forecast: 2007 - January 2007
7 th Annual Land Development Conference - May 2011	Eminent Domain - November 2006
Annual IREM - 2010 Annual Forecast - January 2010	Land Development & Redevelopment Conference - May 2006
Annual RERC - Industry Forecast: 2009 - January 2009	Annual RERC-Industry Forecast: 2006 - January 2006
4 th Annual Minnesota Land Development Conference - May 2008	22 nd Annual Real Estate Institute - November 2004
10 th Annual Real Estate Trends Seminar - May 2008	Mortgage Foreclosures in Minnesota - March 2004

Professional Qualifications or Associations

Certified General Real Property Appraiser

Licensed Appraiser - State of Minnesota, License #4002903, Expires August 31, 2013

Member - Appraisal Institute (MAI) Holding MAI Designation

The MAI membership designation is held by appraisers who are experienced in the valuation and evaluation of commercial, industrial, residential and other types of properties, and who advise clients on real estate investment decisions. MAI members are the preferred choice among lawyers to serve as expert witnesses in trials, hearings, and other litigation matters.

The Appraisal Institute conducts a mandatory program of continuing education for its designated members and also requires that they comply with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute. MAI's and RM's who meet the minimum standards of this program are awarded periodic educational certification. I am currently certified under the Appraisal Institute education program through December 31, 2011.

Member - Institute of Business Appraisers (IBA)

Member - Minnesota Shopping Center Association (MSCA)

Professional Experience

Hosch Appraisal & Consulting, Inc., Minneapolis, Minnesota

President, February 2005 - present

Duties and Responsibilities: Prepare professional valuations and market analysis of real estate, businesses and intangible property rights. Real estate assignments involve numerous types of commercial, multiple family, industrial, and special purpose properties as well as land subdivisions, bulk acreage and proposed developments. Business valuation and consulting assignments have included both operating and holding companies. The specific purposes of these assignments have included highest and best use studies, mortgage financing, condemnation, tax abatement proceedings, feasibility analysis, investment counseling, potential sales and purchases, lease and rental analyses, bankruptcy proceedings, charitable donations, internal management decisions, special assessment appeals, gift tax, and allocation of purchase price. Court experience involves testifying at commissioner hearings, depositions and trials, preparation of affidavits, and providing litigation support. Qualified as a court-appointed commissioner in Wright County.

Shenhon Company, Minneapolis, Minnesota

Senior Vice President - Director of Real Estate, November 2003 - January 2005; Shareholder

Senior Vice President - Co-Director of Real Estate, September 2002 - November 2003; Shareholder

Vice President - Co-Director of Real Estate, April 2001 - September 2002; Shareholder

Appraiser/Analyst from June 1991 to March 2001

QUALIFICATIONS OF STEPHEN T. HOSCH, MAI - CONTINUED

Author/Co-Author or Guest Speaker of:

“Appraisal Issues in Litigation,” **Various Minneapolis Law Firms, December 2007**
“Creative Opportunities in the Current Real Estate Market,” **Valuation Viewpoint, Summer 2004**
“Business Components and the Valuation of Real Estate,” **Valuation Viewpoint, Winter 2004**
“Challenging Issues in Commercial and Industrial Valuation,” **Commercial Real Estate Financing Conference, March 13, 2002**
“Market Valuation & Appraisals,” **Minnesota Commercial Association of Realtors, January 22, 2002**
“Fundamentals of Special Assessments in Appraisal,” **Valuation Viewpoint, Spring 1999**
“A Perspective on Subdivision Appraisal,” **Valuation Viewpoint, Winter 1997**

Partial Client List

Accent Homes	LeVander, Gillen & Miller, P.A.
Allied Waste Industries	Lincoln National Life Insurance Co.
Allina Hospitals & Clinics	Lindquist & Vennum
Ames Construction	Malkerson Gunn Martin LLP
Anchor Bank	McGrann Shea Anderson Carnival Straughn & Lamb
BANKWEST	Merchants Bank, N.A.
Bard and Bard, Ltd.	Messerli & Kramer P.A.
BPK&Z	Metropolitan Airports Commission (MAC)
Best & Flanagan, LLP	Minnesota Department of Transportation (Mn/DOT)
Bremer Bank	Minnesota Department of Natural Resources (DNR)
Bridgewater Bank	Minnwest Bank
Briggs and Morgan	Moss & Barnett
Boundary Waters Bank	MPCA
Builders Development & Finance	North Haven Church
Capmark Finance, Inc.	Olympic Steel, Inc
City of Arden Hills	Oppenheimer Donnelly & Wolff LLP
City of Eagan	Osceola Medical Center
City of Fargo	Pace Realty Advisors, LLC
City of Maplewood	Peterson, Fram & Bergman, P.A.
City of New Hope	Peterson, Peterson & Associates, PLC
City of Osseo	Pheasants Forever
City of Shoreview	Pinnacle Commercial Capital
City of Victoria	Pipestone County
Dennis Properties	Rosemount National Bank
Fabyanske, Westra & Hart	Roseville Area Schools
Falcon National Bank	SouthWest Transit
Fargo Public School District No. 1	Sovereign Bank
First National Bank of Elk River	Speedway SuperAmerica
Fredrikson & Byron P.A.	State Bank of Hamel
Garith Anderson Trucking	Stearns Bank
Gopher Resources	The Business Bank
Gregerson, Rosow, Johnson & Nilan, Ltd.	Three Rivers Park District
Grossman Investments, LLC	U.S. Bank
Hajek & Beauclaire, LLC	U.S. Small Business Administration
Harstad Development	Vic’s Crane & Heavy Haul
Hennepin County	Village Bank
Henson & Efron	Warchol Law Office
Hinshaw & Culbertson LLP	Wells Fargo/RETECHS
Home Federal Savings Bank	White Castle System, Inc.
James M. Neilson, Attorney at Law	Wiley Enterprises
Larkin Hoffman Daly & Lindgren	