

**CASTLE APPRAISALS LTD.**

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To: Phil Clarke
BDO Canada Limited
255 Lacewood Dr., Suite 201,
Halifax, N.S. B3M 4G2

From: Elliot Offman

Subject: PTL Services, Southern Harbor, NL
Appraisal Report
Letter of Opinion

1/7/2018

Dear. Mr. Clarke:

As per your instructions we have reviewed the Fitzpatrick's equipment appraisal report of the PTL Services assets dated December 22, 2017. We have analyzed the equipment involved and researched the reported "Fair Market Value" (FMV) in the appraisal. Our opinions are as follows:

This report was produced for financing purposes to support the purchase price of the equipment. The highest reported asking amount for similar equipment has been reported as the "Fair Market Value" of that particular piece of equipment. The "Liquidation Value" reported should have been reported as the "Orderly Liquidation Value" or the sales process where the seller (owner) is in control of the sale over a period of time usually six to nine months.

We have also noticed critical information as to most model numbers, usage (in terms of hours for heavy equipment and kilometers for trucks) have been omitted. Values, especially for heavy equipment, are not only based on the year manufactured but on the hours used. Truck values are also based on mileage as well as the year of the vehicle. More importantly, because of the circumstances, the appraiser should have used the "Forced Sale Value" method or the estimated most probable price estimated in Canadian currency, which could typically be realized at a properly advertised and conducted public auction sale or tender held under forced sale conditions taking place in a short period of time usually within thirty days, and under present day economic trends as of the effective date of this appraisal report. Conclusions taken into consideration are physical location, difficulty of removal, physical condition, adaptability, specialization, marketability, over-all appearance and psychological appeal. All items are to be sold on a piece meal basis "as is, where is" with the purchaser responsible for the removal of the assets at his own risk and expense. Any deletions to the total amount appraised would affect the psychological and/or the monetary appeal to gain the price indicated. The reader should note, there are additional costs associated with this method such as advertising and sales commissions or auction fees. However, in order to most accurately determine an appraised value the following factors have been examined in determining an appraised value:



1) whether and at what cost is equipment available which is a suitable replacement or substitute for that in place. 2) whether a market exists given the age and condition of the equipment should it be necessary to liquidate.

Using the above criteria, which specifically states consideration must be given to physical location and difficulty of removal an allowance must be made. In this case transportation costs to remove equipment from Newfoundland are very expensive since they can only be taken off the island by ferry therefore an extra expense of 15% of the "Forced Sale Value" must be allocated. Further auctioneer fees of 15% must also be factored into the bottom line.

As stated previously we believe our FMV would have been 10% to 15% less than Fitzpatrick's since we would have used an average offering price. However, instead of using a 35% (rule of thumb) difference between a FMV and a FSV, in this particular instance to compensate, we will use a 45% FSV.

Given the above we would suggest the following calculation. The FSV of the assets should bring an estimated 45% of the FMV or \$4,247,880.00 at a properly advertised auction. However, the buyer will bid 15% less than usual because of the removal (transportation costs) which he must pay. Therefore the gross recapture amount will fall to an estimated \$3,619,198.00. Auction fees of an additional 15% must now be deducted from the gross amount.

In summary we would estimate the final net recapture amount after the sale of the equipment between **\$3,075,000.00 and \$3,150,000.00.**

Should you require additional information please do not hesitate to contact the undersigned.

Thank you,

A handwritten signature in blue ink, appearing to read "E. Offman", written over a light blue horizontal line.

Elliot Offman A.A.
President
Castle Appraisals Limited