

Risk Mitigators & Advisors LLC

2525 Alluvial Ave, Ste 151

Clovis, CA 93611

Phone (559) 549-2850

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8/xx/20xx

Appraisal of Agricultural Machinery & Equipment

<Company Name>

Paige Gilligan, CAC
CERTIFIED AGRICULTURAL CONSULTANT

Risk Mitigators & Advisors LLC

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August xx, 20xx

Client Name

Address

City, State ZIP

Attn: <Contact>

Dear <Client>:

Per your request, I respectfully submit an appraisal report of the agricultural machinery and equipment in the possession of <Company Name>. An appraisal is a determination of value based upon client provided information and a physical inspection of the property. A partial physical inspection of the property was completed for this assignment on August xx, 20xx. The location visited was at <Address>, California.

The standard of values for this assignment are Fair Market Value (FMV) of individual pieces of the machinery and equipment and Orderly Liquidation Value (OLV) of the total amount of equipment as-is where-is as of the report date of August xx, 20xx. Should the Subject's items sell under any other scenario, then different values would be realized. Use of this report signifies your acceptance of Limiting Conditions contained in the report.

It is the undersigned appraiser's independent, unbiased professional opinion, that a summary of all information collected indicates that as of this date, the aggregated estimated Fair Market Value (FMV) and the Orderly Liquidation Value (OLV) of all the assets contained in this report would be:

FMV \$8,262,870 USD

Eight Million Two Hundred Sixty-Two Thousand Eight Hundred and Seventy Dollars

OLV \$6,610,296 USD

Six Million Six Hundred Ten Thousand Two Hundred and Ninety-Six Dollars

This report and conclusions are attached hereto and must be attached to this transmittal letter as an integral part of it.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paige Gilligan, CAC".

Paige Gilligan, CAC

Certified Agricultural Consultant



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Description of the Assignment

Subject of the Appraisal

Risk Mitigators and Advisors, LLC has been retained by <Client> to provide an appraisal of certain agricultural machinery and equipment inventory items owned by <Company Name> with an office located at <address>, California. A physical inspection of 78 percent of the total reported number of pieces took place on August xx, 20xx, at the <City>, California location. The amount of equipment not personally inspected by the appraiser equaled 23 percent and was located in <City>, California at the company's additional location.

Effective Date of Valuation

The effective date of this appraisal is August xx, 20xx. Only information available as of the effective date is to be considered in the development of an opinion of value.

Scope of Work

The appraiser has been asked to provide an appraisal report of assets owned by <Company Name>. An appraisal is a determination of value based upon information provided by the client and conducted with the benefit of a physical inspection by the appraiser. A "desktop" appraisal was utilized for the items not personally viewed by the appraiser. The appraiser relied on photos and descriptions provided by the borrower to complete the desktop portion of the valuation.

An appraisal is a type of investigation with respect to valuation. Through the appraiser's experience, training, and integrity, the activities of buyers and sellers in the marketplace can be estimated and provide an indication of value. In reaching a conclusion, comparison of assets usually involves adjustments based upon unique attributes of each asset.

Fee simple interest is an estimation of the value of the items in continued use. It should be noted that if these items should sell under any other scenario, then different values would be realized.

There are three approaches to valuation which are considered during the appraisal process: 1) Sales/Market Approach, 2) Income Approach, and 3) Cost Approach. For this assignment, the Cost Approach was deemed the most reliable due to the equipment being purchased recently from another company and not used in an income producing aspect (leasing out). The Sales Approach was not utilized because this type of equipment is not usually sold/traded as individual items on the secondary market. These pieces are normally sold in bulk as a going concern.

The appraiser has gathered data on <Company Name's> items from as many sources as practical, including but not limited to the original manufacturer, dealers of like machinery and equipment, published auction information, and the Internet. The appraiser also relied on purchase information from the company's accounting records. Actual sales documents were not reviewed for verification. The appraiser has then analyzed the data to estimate an opinion of value. The report was then formulated to set forth the findings and conclusion of the appraiser.

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In utilizing the Cost Method for valuation, the appraiser calculated value based on the following formula: Original Price less Physical Deterioration less Obsolescence.

Per Valuing Machinery and Equipment 4th Edition (American Society of Appraisers, 2021), the following definitions apply to the above formula.

- *Original Price* is the initial capitalized cost of an asset in the hands of the present owner who may not be the first owner and who may have purchased at a price greater or less than the historical cost – may be the used cost of the property.
- *Physical Deterioration* is the loss in value or usefulness of a property due to the using up or expiration of its useful life caused by wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors.
- *Obsolescence* is the loss in usefulness of an asset caused by factors such as physical deterioration, changes in technology, patterns of demand, or environmental changes. Obsolescence includes three areas: physical depreciation, functional obsolescence, and economic obsolescence.

For this assignment, the Original Price was taken as the purchase price paid to <Seller> for the assets. Physical Deterioration was measured by observation and based on the appraiser's personal experience. Based on the physical inspection, the appraiser estimated the effective age of the equipment and took into consideration regular overhauls, rebuilds, and average maintenance. In some instances, the effective age was less than the chronological age. Next, the Age-to-Life ratio was calculated to determine the remaining useful life. The normal useful life was used as a baseline since it is the time that the machinery and equipment actually tend to be used in the industry. This calculation may differ from the financial accounting straight line depreciation method. The normal useful lives for the equipment were estimated to be as follows:

- Mobile Engine Rooms – 10 years
- Hydrocoolers – 20 years
- Ice Generators – 30 years
- Vacuum Tubes – 20 years
- Vacuum Pumps – 15 years
- Pressure Coolers – 25 years
- Ice Injectors – 20 years

The appraiser determined that there was minimal functional and economic obsolescence on the observed machinery and equipment.

The appraisal report is based upon information supplied by others to the appraiser, without independent verification 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.

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Type of Property Inspection

For this assignment, the appraiser has been requested to provide an appraisal. A physical inspection of a portion (78%) of the assets was completed at the company headquarters located at <address>, California on August xx, 20xx. The appraiser did not view 100 percent of the claimed inventory per the request of the client. No verification as to the identification and ownership was completed. It is assumed that possession validates ownership. Testimony from others as to condition and identity has been relied upon.

Extent of Data Research

Based upon conversations and/or research with all listed sources, the appraiser has described to the best of her ability the characteristics of <Company Name's> assets. It is understood certain assets may be purchased with a variety of attachments or in a variety of situations which could affect value. It is not always possible to know of such factors that may or may not exist. Therefore, it is assumed the Subject's assets do in fact have basic qualities needed for operation and would have an expected number of amenities associated with the Subject's asset being appraised.

The manufacturers of a majority of the subject machinery and equipment are related parties to <Company Name>, so independent research is difficult because the appraiser could not rely solely on the manufacturer's provided information. As a result, additional custom manufacturers of similar equipment were sourced. This type of equipment is usually custom built to specification so a direct comparison to equipment in the general marketplace is limited. The prices paid for the equipment were reasonable and within the range of similar products.

Highest and Best Use

The highest and best use of the agricultural machinery and equipment inventory items are best utilized in their current income producing capabilities via use in the day-to-day pre-cooling operations for vegetables.

Intended User(s)

The use and distribution of the appraisal report is restricted to <Client Name> and/or its affiliates. The use of this report and the information contained within is restricted to the user set forth and cannot be photocopied in whole or part or distributed to others.

Intended Use

The intended use of this appraisal is to establish the value of the subject property for use in loan underwriting and/or credit decisions by <Bank Name> and/or participants.

Purpose of the Appraisal

The purpose of the appraisal is to establish the Fair Market Value of the Subject's machinery and equipment inventory.

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Confidentiality and Privacy

The appraiser will maintain the conformity and privacy of client information obtained during this assignment. Information about our clients is not sold to others. The security and confidential information provided by the client is protected and only shared when required by law.

Assumptions and Limiting Conditions

1. As the addressee has purchased this report, it is assumed by this appraiser that it is to be used by the addressee in determination of value at that point in time. Use of this report by others should be done so with the understanding that no risk or guarantees have been purchased by the owner of this report nor through the fee paid to this appraiser. This appraiser reserves the right to recall all copies of this report to correct any omission or error.
2. Physical condition of a portion of the inventory has been determined by others. Any unknown conditions existing at the time of valuation and not reported to this appraiser could alter the value. No responsibility is assumed for latent defects of any nature whatsoever, which may affect value, nor for any expertise required to disclose such conditions. This appraiser must rely on information provided to her in searching for comparative data. The appraiser disclaims any responsibility if given erroneous information by any party.
3. No consideration has been given to liens or encumbrances, which may be against the property.
4. No investigation of legal fee or title to the property has been made and the claim to the property has been assumed to be valid.
5. The subject inventory is assumed to be in good working condition.
6. This report has been prepared in conformity with the Code of Ethics of the American Society of Agricultural Consultants.
7. Other limitations, if any, are clearly defined and individually set out at that point related to the subject.
8. Neither all nor any part of the contents of this report, or copy thereof, shall be reproduced for any purpose other than stated in the report, nor shall it be made available to the media, another appraiser, or anyone else without the written consent of the appraiser.
9. Information, estimates, and opinions furnished to this appraiser and contained in this report were obtained from sources considered reliable and believed to be true and correct; however, no responsibility for the accuracy of such items furnished to the appraiser can be assumed by this appraiser. No liability or responsibility is expressed for results from actions taken by anyone because of this report. Further, there is no accountability, obligation, or liability to any third party.
10. The appraiser has strived to use due diligence in all market comparisons, if possible, comparisons of similar items sold usually provide substance for final value determination. However, it is not possible always to find direct sales comparisons that have actually sold at auction. In these cases, this appraiser has relied heavily on comments and testimony from sources considered reliable (i.e., dealers, manufacturers, auctioneers, etc.) in arriving at the final value estimate.



11. The appraiser has based an opinion on certain assumptions that have been presented to her. If these basic assumptions should change for any reason, the final valuation could change. The appraiser reserves the right to make any adjustments considered necessary as additional or more reliable data becomes available.
12. Nomenclature and identification of assets are assumed by this appraiser to be accurate, but no guarantee is made in this regard.
13. Since the 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.
14. It should be noted that the term "certified" as used in this report refers to certification from recognized consulting organizations.
15. No responsibility is assumed for the outcome of any legal action in which this appraisal may be used as evidence, or for testifying in court without adequate notice for preparation. If future consultation, testimony, and/or deposition concerning this appraisal is required of the appraiser, it shall be done so with adequate time for preparation and at an additional fee for the time and expenses.

Definition of the Standard of Value

Fair Market Value Definition

The following definition is taken from Valuing Machinery and Equipment 4th Edition (American Society of Appraisers, 2021). It should be noted that the appraiser estimated the value utilizing the Cost Method.

"Fair Market Value (FMV) is an 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 sell and both having reasonable knowledge of relevant facts, as of specific date."

Orderly Liquidation Value Definition

The following definition is taken from Valuing Machinery and Equipment 4th Edition (American Society of Appraisers, 2021). It should be noted that the appraiser estimated the value utilizing the Cost Method.

"Orderly Liquidation Value (OLV) is an opinion of the gross amount, expressed in terms of money, that typically could be realized from a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis, as of a specific date."

When discussing OLV, it is important to understand that the value is based on the machinery and equipment remaining at the location. In the case of some of the equipment, it is mobile and is not location specific (i.e. SKAT trailers, Vacuum tubes, Vacuum pumps, etc.). These pieces would have little to no discount (0-5%) taken from the Fair Market Value. Additional items such as pressure coolers and ice generators would have a discount taken (~30%) due to the efforts required to remove the machinery and equipment from the current location. The appraiser utilized an average discount of 20 percent to the overall value of the machinery and equipment to determine the OLV.

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Principal Sources of Information

While the appraiser has been diligent in preparing this appraisal, it is important to understand the appraiser relied heavily upon information given by others. For those persons who may review this appraisal report now and, in the future, this appraiser has clearly identified the major information sources. The principal sources of information used to form an opinion of value include the following:

- <Source>
- Risk Mitigators & Advisors LLC database

Market Conditions

The pre-cooling operation operates in <City> and <City>, California. Buyers and sellers of this type of machinery and equipment inventory are limited to the regional areas and vegetable/fruit cooling operations. There are currently multiple selling channels available. Online auction sales could also be utilized to realize the highest market value for the pieces; however, most transactions are completed privately without being offered to the general public. Prices for used equipment have remained stable in 2021 even through the pandemic because the barriers to entry are high and used equipment in general gained strength in the market.

Equipment Conditions

The majority of the equipment is in good condition based upon physical inspection and information received from the client. The items that were not viewed personally by the appraiser were viewed via photograph. The appraiser estimated their condition to be fair as of the report date.

Final Value Summary and Reconciliation

It is this appraiser's independent, unbiased professional opinion, using the valuation approaches and methods contained in this report, which are subject to the assumptions and limiting conditions, the total estimated Fair Market Value and Orderly Liquidation Value of the agricultural machinery and equipment inventory owned by <Customer Name> described in this appraisal report, dated August xx, 20xx, is:

FMV \$8,262,870 USD

Eight Million Two Hundred Sixty-Two Thousand Eight Hundred and Seventy Dollars

OLV \$6,610,296 USD

Six Million Six Hundred Ten Thousand Two Hundred and Ninety-Six Dollars

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Detailed Equipment List and Value

See Exhibit A for a detailed machinery and equipment list. The items highlighted in blue are located in <City>, California and were not personally viewed by the appraiser. Photos of the equipment are provided in Exhibit B. Note: The Exhibits pages are not numbered or included in the total number of pages in the report.

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, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is subject to this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent of development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 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 made a personal inspection of a portion of the property that is subject of this report.
- No one provided significant personal property appraisal assistance to the person signing this certification.

<Appraiser Signature>

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Statement of Qualifications

Paige Gilligan, CAC

Education

MBA – University of Phoenix, 2003 – Master of Business Administration in E-Business
BS – Purdue University, 1993 – Bachelor of Science in Agricultural Business Management/ Ag Economics
Diploma – Ukrainian Agricultural Academy, 1992 – Diploma in Comparative Food Systems

Certifications

Certified Agricultural Consultant – 2008 to present – American Society of Agricultural Consultants
Certified Cultural Change Trainer – 2015 – Malandro Consulting Group

Affiliations

American Society of Agricultural Consultants (ASAC) – 2006 to present
American Society of Farm Managers and Rural Appraisers (ASFMR) – 2009 to present
California Women for Agriculture – 2009 to present
Society of Chief Appraisers – 2011 to 2019

Qualifications

Ms. Gilligan has over 25 years of collateral valuation experience throughout the western United States. Before starting Risk Mitigators & Advisors, Ms. Gilligan served as a Senior Vice President with Rabobank, N.A. located in the central valley of California. There she was responsible for collateral risk for the bank on all real estate secured term loans and personal property secured working capital commercial loans.

As a risk management consultant, she leverages her experiences in real property and personal property valuations to assist clients in understanding risk in their operations while matching those risks to the client's needs to maximize value. Ms. Gilligan focuses on providing services to agricultural operations and businesses needing assistance with understanding both the valuation process and the implications of those valuations. Working across the western U.S. has allowed Paige to gain diverse expertise in the areas of dairies, wineries, permanent planting operations (fruits and nuts), row crop operations, feedlots, agribusinesses, and general commercial businesses.

Past Clients

- BMO Harris Bank
- Chase Bank
- Citizens Business Bank
- Collateral Control, Inc.
- Pacific Premier Bank
- Rabo Agrifinance
- Umpqua Bank
- USDA – APHIS and FSA
- Wells Fargo, N.A.

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Exhibits