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Appraisal of Donation
of Walnut Compost
As of August 22, 2018

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1 Introduction

1.1 Summary of salient facts and findings.

Subject personal property: 800 cubic yards of walnut compost as described herein
 Interest appraised: donation value of the appraised personal property
 Value conclusion (donation): \$18,200*
 Effective date of value: 2018-08-22.

1.2 Identification of client and authorized users. This appraisal is authorized by and written for Mariani Nut Company hereafter known as the *client*. Authorized users of this report consist of the client, only.[†] No rights to use or rely on this report are given to anyone other than the authorized users specified without the written consent of House Agricultural Consultants, hereafter *appraisers*.[‡] This appraisal is to be used only in its entirety and no part is to be used separately from the whole report.

* Subject to all assumptions listed in section 1.5.4 on page 5, which were believed valid by the appraisers at the time this report was published.

[†] Representatives of the client, such as accountant or attorney, are authorized users insofar as they act in their capacity as authorized legal agents of the client.

[‡] The Internal Revenue Service, Franchise Tax Board of California, and similar government entities may use this report to perform their lawful function of processing tax returns, but are not authorized users (as a defined as a term of art in the appraisal profession) as the scope of work of this appraisal assignment does not cover defense of this appraisal work product to government authorities without additional compensation to be agreed separately from the instant assignment.

1.3 Date of valuation. The effective date of valuation is 2018-08-22, which is the date when the appraisers inspected the subject personal property.

1.4 Report publishing date. The date of this report is as given on the reverse of the title page (page 2). This report supersedes all previous revisions having earlier dates or a smaller revision number.

1.4.1 PURPOSE OF APPRAISAL, INTEREST APPRAISED, AND INTENDED USE. The purpose of this appraisal is to opine the fair market value[§] of a donation of the subject personal property to Solano County Water Agency made by Mariani Nut Company on 2018-08-22 in United States dollars, as of the date of valuation and in terms of financial arrangements equivalent to cash, given the assumptions and other limiting conditions noted.

The interest appraised in this assignment is the donation value of the appraised personal property, subject to the assumptions and other limiting conditions enumerated in section 1.5.4 on page 5. Therefore, this appraisal assignment is to opine the donation value of the appraised personal property in its actual condition as of the date of valuation, 2018-08-22. The opined value is presented in section 4; all other value figures presented in this report are intermediate calculations only considered for purposes of analysis.

The appraisers have been informed that the client's intended use of this appraisal is for income tax purposes. This appraisal may be used only in its entirety for the intended use stated and no part is to be used separately from the whole report.

1.5 Scope of work. This is an *appraisal report*, as defined by USPAP, presented in abbreviated narrative format. The narrative and accompanying figures, tables, and exhibits describe and enumerate the appraisal methodology and the principal data necessary to understand the valuation presented herein. Section 3 describes the method of valuation used in this appraisal and applies it to the subject property, presenting each step of the analysis and concluding, in section 4, with the appraisers' opinion of value. Appendices following the valuation present exhibits helpful in understanding the appraisal.

1.5.1 STANDARD COMPLIANCE. The Appraisal Foundation publishes the *Uniform Standards of Professional Appraisal Practice* (hereafter USPAP). This appraisal assignment has been completed in compliance with USPAP, subject to the assumptions and limiting conditions in section 1.5.4, both general and specific; the appraisal certification; the definitions included in this report; and all other particulars described in this scope of work. The final analysis of the information available for this assignment has resulted in the value opinion presented in this report for the appraised interest of the subject property under the stated value premise described herein.

As a supplementary standard, this report has been written to comply with the definition of a *qualified appraisal* found in the United States Treasury Regulations, section 1.170A-13.^{||} We have additionally reviewed IRS publication number 561, entitled *Determining the Value of Donated Property*, which provides interpretive guidance on section 1.170A-13.

[§] As defined in section 1.5.2.

^{||} To the best of the appraisers' knowledge, this report fully complies with the United States Treasury Regulations, section 1.170A-13. However, only the United States government can make an authoritative determination of compliance. Therefore, the appraisers offer no certification or guarantee of compliance.

1.5.2 MARKET VALUE DEFINED. In this appraisal assignment, the term *market value* refers to *fair market value* as defined by the *United States Treasury Regulations*, section 1.170A-1, subsection (c)(2), to wit:

The fair market value is the price 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. If the contribution is made in property of a type which the taxpayer sells in the course of his business, the fair market value is the price which the taxpayer would have received if he had sold the contributed property in the usual market in which he customarily sells, at the time and place of the contribution and, in the case of a contribution of goods in quantity, in the quantity contributed. The usual market of a manufacturer or other producer consists of the wholesalers or other distributors to or through whom he customarily sells, but if he sells only at retail the usual market consists of his retail customers.

In this report, the terms *market value* and *fair market value* are used interchangeably; both refer to the definition just given.

1.5.3 RESEARCH PERFORMED. An analysis has been made of the market for this personal property including the supply of and demand for compost of this type in the market area.

The subject personal property was inspected for this appraisal on 2018-08-22 by appraisers Gregory A. House and Henry House. A representative of the donee was interviewed on-site during the 2018-08-22 visit, and subsequently by phone and e-mail several other times. There were no bills of lading available as the donee picked up the compost in small bobtail-truck loads at the Mariana Nut Company's storage site in nearby Winters, California. We are relying on the donee's estimate of the number of total loads and total volume, although we did inspect and roughly measure the stock pile where the donee accumulated the compost prior to spreading it on its riparian restoration sites. That inspection in our estimation confirms the 800 cubic yards being claimed in this donation.

1.5.4 ASSUMPTIONS AND CONDITIONS. This appraisal is subject to the assumptions and conditions listed in the appendices of this report, section 7.

1.5.5 COMPETENCY AND IMPARTIALITY OF APPRAISERS. Each appraiser that prepared the analyses, conclusions, and opinions set forth in this appraisal report asserts that

The subject of this appraisal is a rural resource (compost, which is personal property) donated to a charitable use from Winters, California. I have analyzed numerous similar appraisal problems in northern California over a period of many years, including donated property. I maintain a high standard of appraisal performance. I am competent to appraise this property. I am impartial with respect to this subject property as I am not any of the following: the owner; a party to a transaction involving the subject property; a person employed by any of the foregoing; a person related to any of the foregoing or married to a person related; a person who is regularly used by the owner or a party to a transaction involving the subject property and who does not perform a majority of his appraisals made during his taxable year for other persons.

Both appraisers are familiar with appraising donated property and rural resources. We teach farm management and rural appraisal at the University of California at Davis; appraisal problems similar to the instant appraisal are a topic discussed in lectures. A description of the qualifications of the appraisers is included in the appendices of this report.

1.5.6 APPRAISERS' HISTORY OF SERVICES REGARDING SUBJECT PROPERTY. The appraisers have not rendered any services regarding the subject personal property or any portion thereof other

FIGURE 1 Sample of walnut compost taken on August 22, 2018 showing composition of compost material.



than the current assignment. The appraisers have previously performed other personal property appraisals for the donee on one previous occasion, in 2014.

1.5.7 CERTIFICATION. The appraisal certification is found in section 4. This appraisal report is not valid unless the certification is signed.

2 Property description

The subject personal property consists of 800 cubic yards of walnut compost loaded onto a bobtail truck at donor's walnut processing plant site in Winters, California, then hauled to a stockpile in donee's (Solano County Water Agency) corporation yard approximately 1.5 miles southwest of Winters.

The raw material of this subject compost is composed of culled walnuts (nuts not suitable for sale), walnut shells, and leaves and twigs, all being the waste of the walnut processing plant. This waste is stored in piles that begin to decompose and reduce over the course of nine to twelve months. After this time period the waste has become a kind of partially decomposed compost, suitable as a landscape ground cover, as illustrated by figures 1 and 2. As noted above, this compost material is then removed from the nut company's storage piles and trucked to the donee's corporation yard. Donee Solano County Water Agency takes the walnut compost from its stockpile and uses it as a landscape ground cover and soil restorative at riparian restoration sites in Solano County. Occasionally the compost is taken directly from the nut company stock pile by donee to a restoration site for immediate application as a ground cover.

The client did not earmark the disposition of the property, make any agreements that the donated property should be used for any particular purpose, or receive any form of compensation for them.

FIGURE 2 Walnut compost at the donee's site on August 22, 2018.



3 Valuation analysis

3.1 Valuation method. This appraisal problem is to opine the fair market value of 800 cubic yards of walnut compost, donated by the client, loaded on-site onto the buyer's (donee's) truck.

3.1.1 THE THREE APPROACHES TO VALUING REAL AND PERSONAL PROPERTY. Recognized appraisal practice calls for analysis of the value of property by one or more of the established *three approaches to valuation*: (1) direct comparison, (2) cost, and (3) income. Each approach brings together the techniques pertinent to an appraisal problem into a system for finding the value of the subject property. Every process of appraisal that results in an opinion of value falls into one of these approaches.

The *direct-comparison approach* analyzes the property being appraised by collecting market price data for units of similar property being bought and sold at arms length on the open market, then comparing such competitive property with the subject property using an appropriate unit of comparison on a whole-property basis. This approach is employed for both real estate and personal property as it is applicable to any kind of subject property commonly owned and traded: loads of mulch (as in this instance) as well as other types of personal property that are commonly bought and sold on an open market as well as real-estate interests (land, residences, etc.). IRS publication number 561 refers to this approach as the "comparable sales method". As noted this approach requires an appropriate unit of comparison; in this instance the most appropriate unit of comparison is the cubic yard, as comparable market transactions of composts and mulches are typically denominated in dollars per cubic yard.

The direct-comparison approach is typically preferred by appraisers when suitable comparable market-price data can be found due to its direct use of the market data using fewer assumptions than the other two approaches to valuation. As there is an active market for composts and mulches similar to the property, such data are available and this approach is appropriate; therefore this is the approach that we have employed in this appraisal.

To determine whether and to what extent the comparable transactions are similar to the subject within the direct-comparison approach, we analyze these transactions in terms of *factors of comparison*, which are specific, independently variable characteristics found to affect property value in the subject property's market area. In any of these factors, the comparable market observations may differ from the subject property or from each other. By such comparison, the unknown market value of the subject property (the most probable price at which it would sell) can be deduced.

The *cost approach*, also known as the *reproduction approach*, determines the cost to create (manufacture, construct, or otherwise establish) a new reproduction of the subject property, then subtracts depreciation as appropriate to adjust for the difference between the hypothetical newly created item of property and the property being appraised in its actual condition. IRS publication number 561 refers to this approach as the "replacement cost new or reproduction cost minus observed depreciation". Though this approach to valuation is often applicable to personal property, in this instance the cost approach is less applicable to this valuation than direct comparison as the subject property (a byproduct of walnut processing) is not typically manufactured or deliberately created, and so this approach would not accurately reflect the market's pricing for similar mulching compost, which incorporates market participants' knowledge of the substitutability of alternative materials. We have therefore not employed the cost approach in this appraisal.

The *income approach* analyzes the property as an investment, processing projected net income from the property's revenue stream (e.g., rents, royalties) to arrive at an indication of capitalized value. IRS publication number 561 refers to this approach as "capitalization of income". The income approach is a useful indicator of value in some appraisal problems, most typically the

analysis of revenue-generating real estate or intangible personal property (such as a patent), but is not applicable to the subject property of this appraisal as it is a physical good that does not command an income stream; therefore we have not employed the income approach in this appraisal.

3.1.2 FAIR MARKET VALUE. As noted (section 1.5.2), in this appraisal, the terms *fair market value* and *market value* are used interchangeably as synonyms for each other to denote a definition from the United States Treasury Regulations and consistent with IRS publication number 561.

3.2 Direct-comparison approach. As noted, this appraisal’s valuation method is a direct-comparison approach. We use current price data of comparable and competitive alternative mulching compost products to analyze the value of the subject compost since its value is not less than the cost to obtain a comparable substitute from a different supplier. The transportation component is not priced into the opined value, as the product is loaded on site onto the buyer’s (donee’s) truck.

3.2.1 FACTORS OF COMPARISON RELEVANT TO THE VALUE OF SOIL-AMENDMENT COMPOST AND LANDSCAPE COMPOST. In this section we describe the factors we use to compare the various for-sale composts with the subject walnut compost.

Fertilizer analysis. Compost is commonly used as an organic fertilizer, a soil amendment, and as a ground cover in landscapes—or for a combination of these uses. Typically the composts used primarily as fertilizer and as soil amendment have a relatively higher N–P–K fertilizer analysis[¶] than the landscape-type composts, which have the primary purpose of protecting the soil from erosion and additionally aid in weed control. Landscape composts thus are typically lower in fertilizer analysis and plant nutrients than the soil-amendment-type composts.

We took a sample of the subject walnut compost on 2018-08-22 and submitted it to analysis by a professional analytical laboratory. The results are displayed in the appendices to this report (section 6); in summary, the subject walnut compost has a N–P–K analysis of 1.17–0.15–0.34, and thus is intermediate in its fertilizer value, having some nitrogen fertilizer value (about one percent) but not equal to the highest-testing finished composts (which are typically about two percent nitrogen) used for soil amendment/fertilizing purposes. The subject walnut compost is also lower in phosphate and potash than most finished composts, and thus of only minor value as as fertilizer source for these particular plant nutrients.

For purposes of comparison of fertilizer utility to the subject walnut compost, our analysis assigns to each comparable product a nutrient “test” range indicating that it is high, mid, or low in plant-nutrient content.

Stock materials and particle size. Composts are made from a wide variety of organic materials, ranging from wood chips to grass clipping and street green waste, to animal manures. Often the source material are blended by the compost maker to create the desired fertilizer analysis, as well

[¶] The fertilizer grade, commonly referred to as the *fertilizer analysis*, is indicated by three numbers with dashes separating them; this notation is commonly found on the front of a fertilizer bag. A more detailed description will be presented on the fertilizer label of bagged fertilizers. The first number represents the total nitrogen of the product, followed by the available phosphate (plants’ source of the nutritional element phosphorus, and finally the third number represents available potash (plants’ source of the nutritional element potassium); all are percentages of weight. In some cases, additional numbers maybe included on the grade listing and represent other major plant nutrients. In all cases, the fertilizer label will describe these additional nutrients with greater specificity. Source: Texas A&M University, (<http://soiltesting.tamu.edu/webpages/calculator.html>).

as the particle size or coarseness of the material. Finished composts will be fine and flowable, resembling tilled loamy soil. This texture is ideal for assimilation into the soil to provide nutrition to growing plants, but is less helpful than a coarser texture for erosion control or weed suppression. The landscape composts, often referred to as mulch, are therefore typically coarse, sourced from primarily shredded or chipped tree trimmings, tree bark, or wood. Uniformity of the product—meaning, that ideally the product be shredded or chipped to a consistent size and shape—is desirable, and most have been put through screens to keep the particle size uniform within some set tolerance.

The subject walnut compost is coarse, which is desirable for landscaping use, but it not as uniform in texture compared to competitive landscape composts in its instant condition as inspected, and thus less well suited aesthetically to most urban landscape uses in which uniformity of appearance is important, such as public parks, homeowner gardens, etc.

For purposes of comparison of particle size to the subject walnut compost, our analysis assigns to each comparable product a rating of fine, mid-grade, or coarse. The fine composts are intended for agricultural, soil-amendment purposes. The mid-grade materials are used for landscape bedding situations where a coarse texture is not desired and some soil amendment utility is desired. The coarse materials are commonly referred to as mulch, and serve a ground-cover, weed-control function without fertilizing or soil-amendment features.

Composting method, certifications, and level of decomposition. While the soil-amendment composts are typically fully composted according to strict protocols, landscape composts can be partially decomposed or not be decomposed at all. Regulations for fully composted “finished compost” are established by the State of California (CalRecycle, CalRecycle.ca.gov) and enforced by the local enforcement agency, typically the county government. Other environmental agencies that typically also have requirements for composting operations, are the regional water quality control boards and the local air quality management district. These regulations deal both with the location and size of the composting operations, as well as the methods by which the compost is made, including handling and material temperature protocols for the composting process. Typically the finished compost product will be certified to be pathogen-free and as meeting applicable CalRecycle regulations. An additional certification is “certified organic”, which is conferred by the Organic Materials Research Institute, indicating the material is suitable for USDA “certified organic” food production.

These regulations do not apply to landscape compost, as this type of compost product is not intended for use in food production, and thus the level of decomposition of landscape compost is a matter of user preference. For landscape applications where appearance and weed control are the primary purpose, the less the product is decomposed, the better, as it will endure and remain useful for a longer time period than fully decomposed or partially decomposed compost.

The subject walnut compost has not been intentionally composted using standard protocols mentioned above. Rather what decomposition is evident is a result of the stock material lying in piles, undergoing a natural process of decomposition that has reduced the loose nut meats and walnut leaves but left the shells nearly intact. The subject walnut compost has a somewhat darkened appearance; however, because it is composed primarily of walnut shells which do not decompose readily, the subject product will take a number of years to fully decompose.

For purposes of comparison of composting method certification to the subject walnut compost, our analysis assigns to each comparable product a rating of “yes”, certified, or “no”, noncertified. Certified implies a fully finished compost, suitable for food production, while noncertified implies the product is not to be used for food production but is suitable for non-food-producing landscapes.

TABLE 1 Quotes obtained from suppliers that sell comparable compost.

Vendor	Product	\$/yard ³
Lopez Ag Service [*]	landscape compost	22.75
Northern Compost [†]	organic compost	22.55
Sonoma Compost [‡]	Nicasio Blend	20.00
Sonoma Compost	Vineyard Mulch	18.00
Sonoma Compost	Tree Mulch	13.00 to 15.00
Cascade Rock, Inc. [§]	Organic Compost 50/50	54.00
Hasties Capitol Sand & Gravel Company	Humus Compost	34.00
C.L. Smith Landscape Materials [¶]	shredded cedar bark	35.00

^{*} 11499 Florin Road, Sacramento, CA. 916-682-5459.

[†] 11220 County Road 94, Zamora, CA. 530-406-1614.

[‡] 5575 Nicasio Valley Road, Nicasio, CA. 707-664-9113.

[§] 8585 Kiefer Boulevard, Sacramento, CA. 916-393-1300.

^{||} 9350 Jackson Road, Sacramento, CA. 916-361-2760.

[¶] 37763 California Highway 16, Woodland, CA. 530-662-2633.

The final valuation opinion of the subject personal property takes into account the factors of fertilizer analysis, stock materials, and level of decomposition to evaluate its appearance and utility in the market.

Location. The location of the compost provider, that is, the site where the compost will be picked up, is a factor contributing to price. The more urban locations, in Sacramento, for instance, command a higher price for the convenience of the location for urban landscapers. The more rural locations, such as Nicasio and Zamora, are less accessible to the general public, and suffer that inconvenience in lower prices for similar products, as evidenced in the two comparable products Organic Compost 50/50 Blend, at \$34 per cubic yard from Hastie's Capitol Sand and Gravel Company in Sacramento, and Organic Compost, at \$22.55 per cubic yard from Northern Compost in Zamora.

For purposes of comparison of location to the subject walnut compost, our analysis assigns to each comparable product a rating of urban, which is better (as in adding value), rural, which is inferior to (more remote than) the subject walnut compost, or semi-urban, which is similar to the subject walnut compost which was located in Winters, California when handed off to the donee.

3.2.2 COMPARABLE PRICE OFFERS—COMPOST AND MULCH. Table 1 lists quotes obtained from suppliers that sell comparable compost products, showing that there is a consistent local market for the product and a price range for the subject market area that can be analyzed based on the factors of comparison enumerated above. These are quotes in dollars per cubic yard for compost picked up from the supplier's source location. Therefore they do not have a transportation component priced into them.

These quotes show a range of prices in the market area of \$13 per cubic yard to \$54 per cubic yard. Table 2 tabulates the four factors of comparison—fertilizer value, particle size, certification, and location—for each of the seven comparable compost materials. Table 3 compares the comparable compost/mulch price offers on the four factors of comparison. In the table, we do not rate the particle size as either superior or inferior as finer particles are superior when the primary goal

TABLE 2 Seven compost materials available locally compared to the subject walnut compost.

Producer	Product	\$/yard ³	Fertilizer test value	Size	Certification	Location
subject	walnut compost	—	mid	coarse	no	semi-urban
Lopez	Landscape Compost	\$22.75	high	fine	yes	semi-urban
Northern	Organic Compost	\$22.55	high	fine	yes	rural
Sonoma	Nicasio Blend	\$20	high	fine	yes	rural
Sonoma	Vineyard Mulch	\$18	low	coarse	no	rural
Sonoma	Tree Mulch	\$13–15	low	very coarse	no	rural
Cascade	Organic Compost	\$54	mid	mid grade	no	urban
Hastie's	Humus Compost	\$34	mid	mid grade	no	urban
C.L. Smith	shredded cedar bark	\$35	low	coarse	no	semi-urban

TABLE 3 Seven compost materials available locally compared to the subject walnut compost.

Producer	Product	\$/yard ³	Fertilizer test value	Size	Certification	Location
subject	walnut compost	—	mid	coarse	no	semi-urban
Lopez	Landscape Compost	\$22.75	superior high	fine	superior yes	similar semi-urban
Northern	Organic Compost	\$22.55	superior high	fine	superior yes	inferior rural
Sonoma	Nicasio Blend	\$20	superior high	fine	superior yes	inferior rural
Sonoma	Vineyard Mulch	\$18	inferior low	coarse	similar no	inferior rural
Sonoma	Tree Mulch	\$13–15	inferior low	very coarse	similar no	inferior rural
Cascade	Organic Compost	\$54	similar mid	mid grade	similar no	superior urban
Hastie's	Humus Compost	\$34	similar mid	mid grade	similar no	superior urban
C.L. Smith	shredded cedar bark	\$35	low low	coarse	similar no	similar semi-urban

is fertilization while coarser particles are preferable and superior when the primary goal is erosion control or weed suppression.

From table 3 we see that the subject walnut compost falls within the range of \$20 per cubic yard (Sonoma Nicasio Blend) and \$35 per cubic yard (C.L. Smith's shredded cedar bark). We prefer to lean most heavily on the Lopez Landscape Compost and the shredded cedar bark from C.L. Smith, as these both have a similar semi-urban location (C.L. Smith in particular is in Woodland within the same local market as Winters). However, C.L. Smith's offering of shredded cedar bark is aesthetically superior for the typical use in urban landscaping, as its particles are more uniform in size and the color and feature shapes more attractive for a landscaping use relative to the subject compost, which contains irregularly shaped walnut shells. Therefore the C.L. Smith offering indicates an exclusive upper bracket on the value of the subject while the Lopez offering sets an inclusive lower bracket.

4 Reconciliation and valuation conclusion

In valuing the subject donation we have considered the cost to obtain a comparable and competitive substitute, which is most appropriate based on the fact that the subject personal property falls within a market class of commodity item (compost mulches for landscaping use) and not specialized. Based on the above data and comparisons for landscape compost in the market area, nondelivered (i.e., picked up by the consumer from the supplier's site), we conclude a value of \$22.75 per cubic yard for the subject compost. The amount of compost donated is 800 cubic yards.

Our opinion of value for the subject property as of 2018-08-22, then, based on the comparable analysis presented above, is \$22.75 times 800 cubic yards, which equals \$18,200 in total.*

5 Certified final opinion of value

Our final opinion of value is conditioned as described in section 7 (page 14) and subject to the definitions included in this report, all other particulars described in the scope of work, and this certification. All assumptions listed in section 7 were believed valid by us at the time this report was published. If any are subsequently found invalid, our opined value and all other findings of this report are invalid and may not be used for any purpose. The only market value for the subject property opined by this report is that below. Each undersigned appraiser certifies that

To the best of my knowledge and belief, the statements of fact in this report are true and correct. The reported analyses, opinions, and conclusions are limited only by the listed 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. I have no personal interest or bias with respect to the parties involved. I have fully disclosed my history of services regarding the subject property in section 1.5.6. My compensation is not contingent upon a predetermined value or direction in value that favors the cause of the client, the amount of the value opined, attainment of a stipulated result, or occurrence of a subsequent event. My analyses, opinions, and conclusions have been developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*, and in conformity with, and subject to, the Professional Code of Ethics and the Standards of Professional Practice of the American Society of Farm Managers and Rural Appraisers. Gregory A. House and Henry House performed all stages of this appraisal assignment, including market research, aggregation of factual data, and

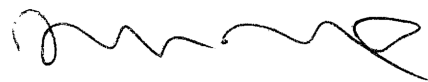
- * No other value conclusion is opined by this report other than that listed above; all other value figures presented previously are intermediate calculations only considered for purposes of analysis. Our opinion of fair market value (see definition, above) is based on the information and reasoning discussed in this report. This value conclusion is subject to all assumptions listed in section 1.5.4, which were believed valid by us at the time this report was published. If any of these assumptions are subsequently determined to be invalid, the value opined and all other conclusions of this report are invalid and may not be used for any purpose. This opinion is subject to the definitions included in this report, all other particulars described in the scope of work, and the following certification.

preparation of the conclusions and opinions concerning personal property set forth in this report that resulted in the final opinion of value below. No party other than the undersigned was materially involved in the preparation of this report or the opinions and analyses set forth herein.

Our opinion of fair market value for the subject personal property as of 2018-08-22 is \$18,200.



Gregory A. House, AFM, ARA, CPAG
Certified General Appraiser, California license no. AG-001999



Henry House

This report and the opinion of value above are not valid unless each appraiser has signed above.

6 Laboratory analysis of subject compost

A & L WESTERN AGRICULTURAL LABORATORIES

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REPORT NUMBER: 18-247-101

CLIENT NO: 9999-D

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SUBMITTED BY: GREG HOUSE

CUSTOMER: SOLANO COUNTY WATER AGENCY

LAB NO: 21546

DATE: 09/10/2018

ORGANIC FERTILIZER REPORT

PAGE: 1

SAMPLE ID	REPORT OF ANALYSIS IN PERCENT										REPORT OF ANALYSIS IN PARTS PER MILLION						
	Nitrogen N	Phosphorus P	Phosphate P ₂ O ₅	Potassium K	Potash K ₂ O	Sulfur S	Magnesium Mg	Calcium Ca	Sodium Na	Iron Fe	Aluminum Al	Manganese Mn	Copper Cu	Zinc Zn	B		
1	1.17	0.15	0.34	1.630	1.963	0.110	0.260	0.740	0.050	1533	640	55	20	35	37.0		

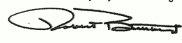
SAMPLE ID	POUNDS OF NUTRIENTS / TON															
	Nitrogen N	Phosphorus P	Phosphate P ₂ O ₅	Potassium K	Potash K ₂ O	Sulfur S	Magnesium Mg	Calcium Ca	Sodium Na	Iron Fe	Aluminum Al	Manganese Mn	Copper Cu	Zinc Zn	B	
1	23.4	3.0	6.9	32.6	39.3	2.2	5.2	14.8	1.0	3.1	1.3	0.1	< 0.1	< 0.1	< 0.1	

- ☐ Reported on an as-received basis Moisture =
- ☒ Reported on a dry basis Moisture = 6.57%

Remarks: To convert to pounds of nutrients/ton as received, multiply pounds of nutrients/ton as reported by (100 - moisture %)/100.

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This report applies only to the sample(s) tested. Samples are retained a maximum of thirty days after testing.


Robert Butterfield
A & L WESTERN LABORATORIES, INC.

7 Appendix: Additional assumptions and limiting conditions

7.1 Limiting conditions. This appraisal has been prepared at the request of the client to whom this appraisal is addressed—namely, Mariani Nut Company. It may be relied on by the client for the intended use that has been disclosed to the appraisers—namely, for income tax purposes—

HOUSE AGRICULTURAL CONSULTANTS

only. No third party has a right to use or rely on this report for any purpose. Possession of this report does not grant right of publication.

This appraisal is for no other purpose than property valuation. Opinions and estimates expressed in this report represent the appraisers' best judgment but should not be construed as advice or recommendation to act. The findings, assumptions, and conclusions contained in this report are the appraisers' personal opinions and are not assurances that any event will or will not occur.

The value opined by this report applies to the appraised interest in the entire property, only. The only value opined by this report is that stated in section 4 under the heading "Certified opinion of fair market value". All other values given in this report are intermediate calculations, only. This report is not valid unless signed by every appraiser that prepared the analyses, conclusions, and opinions set forth in this report. Unsigned copies of this report may not be relied upon for any purpose. This report is not valid if it has been altered in any way by a party other than the appraisers.

The appraisers have no requirement, by reason of this appraisal, to give testimony or appear in any administrative proceeding or to appear in any court, pretrial conference, or other appearance required by subpoena with reference to the subject of this report unless additional arrangements are agreed upon by appraisers and client. This appraisal assignment has been conducted according to the special requirements of the United States Treasury and the State of California concerning appraisals suitable for tax returns; hence, this appraisal may be relied upon in the settlement of taxes. Reliance upon this appraisal for other uses requires additional arrangements be agreed upon by appraisers and client.

If this appraisal is submitted for approval to any third party, including but not limited to submission to a government agency such as the Internal Revenue Service, and that third party requires modification of this appraisal to grant approval, such revisions will require a new assignment and additional compensation.

The appraisers accept no responsibility for legal matters. This appraisal report and all associated work performed by the appraisers are provided to the client with no warranty of any kind, to the extent permitted by applicable law.

7.2 Assumptions concerning accuracy and reliability of data. This appraisal is based on knowledge available to the appraisers at the time of valuation. If additional information becomes available at a later date, the opinion of value could be affected or the analyses in this report could be determined to be invalid.

Certain estimates, data, and information furnished by others (including the client and all other persons identified in section 1.5.3) in the course of this investigation have been assumed to be correct and accurate. The market data relied upon in this report are believed to be from reliable sources. The value conclusions are subject to the accuracy of said data. The appraisers have made every effort to secure reliable and accurate data, but offer no guarantees as to the reliability or accuracy of the data employed herein.

All photographs in this report are presented as aids to understanding the analysis and are not guaranteed as to their scale or accuracy.

Concerning precision of numerical quantities, all calculations have been made with the most accurate figures available to the appraisers. Intermediate calculations have been made with an appropriately large number of digits to prevent the accumulation of round-off error, but are generally presented in rounded form, showing only significant figures. This both to help readability and to avoid implying to the reader that there is greater accuracy in the data than, in fact, exists.

7.3 Special conditions and extraordinary assumptions. This appraisal is subject to an extraordinary assumption: that the subject property's total volume, 800 cubic yards, as stated by the client is accurate.*

N.B.—The use of this extraordinary assumption may have affected the results of this assignment. If additional information becomes available at a later date that proves any of these extraordinary assumptions invalid, the appraisers' opinion of value could be affected or invalidated.

7.4 Hypothetical conditions. This appraisal is not subject to any hypothetical conditions.†

8 Appendix: Qualifications of appraisers

* *The Appraisal of Real Estate*, twelfth edition, page 56, defines the term *extraordinary assumption* thus: "Extraordinary assumptions presume uncertain information to be factual".

† *The Appraisal of Real Estate*, twelfth edition, page 56, defines the term *hypothetical condition* thus: "Hypothetical conditions are contrary to what exists, but the conditions are asserted by the appraiser for the purpose of analysis."

Gregory A. House

Agricultural Consultant
Agronomist
Professional Farm Manager
Rural Appraiser
Farmer

Experience

Agricultural Consultant, House Agricultural Consultants, providing agricultural science, economics, management, and appraisal services, 1983–present

Farmer, 1987–present. Organic apples, peaches, cherries, apricots, field and seed crops

Corporation Secretary & Consulting Agronomist, Hannesson, Riddle & Associates, Inc., 1977–1983.

Professional Affiliations

- American Society of Farm Managers & Rural Appraisers
- American Society of Agronomy
- Crop Science Society of America
- Soil Science Society of America
- California Certified Organic Farmers
- California Farm Bureau

Accreditations

- Accredited Farm Manager (AFM), American Society of Farm Managers & Rural Appraisers, Certificate #501
- Certified Professional Agronomist (CPAg), American Registry of Certified Professionals in Agronomy, Crops, & Soils, Ltd. Certificate # 2319
- Certified Crop Advisor (CCA), American Registry of Certified Professionals in Agronomy, Crops, & Soils, Ltd.
- Accredited Rural Appraiser (ARA), American Society of Farm Managers & Rural Appraisers, Certificate #749
- Certified General Appraiser, State of California License # AG 001999

These credentials have continuing education requirements with which I am in compliance.

Qualifications of Gregory A. House, continued

Education

- B.S., Crop Ecology, University of California, Davis, 1975, with Honors
- Numerous courses from the University of California Extension in agricultural economics, crop management, real estate, & hazardous waste management
- Courses of the American Society of Farm Managers and Rural Appraisers:
 - Principles of Rural Appraisal
 - Advanced Rural Appraisal
 - Eminent Domain
 - Report Writing School
 - Economics of Farm Management
 - Principles of Farm Management
 - Standards and Ethics
 - Permanent Plantings Seminar
 - Standards and Ethics for Farm Managers
 - ASFMRA Code of Ethics
 - National Uniform Standards of Professional Appraisal Practice
- Courses of the Appraisal Institute:
 - Basic Valuation Procedures
 - Real Estate Statistics and Valuation Modeling
 - Advanced Income Capitalization
 - Valuation of Conservation Easements Certificate Program
 - Condemnation Appraising: Principles and Applications
 - Appraising the Appraisal

Expert Witness Court Testimony

- Superior Court Qualified Expert Witness in the following California counties: Alameda, Colusa, Kern, Fresno, Madera, Merced, Monterey, Orange, Riverside, San Joaquin, San Luis Obispo, Santa Barbara, Santa Cruz, Solano, Sonoma, Sutter, Yolo
- United States Tax Court Qualified Expert Witness
- United States Bankruptcy Court Qualified Expert Witness

A list of depositions and trial appearances is available upon request

Qualifications of Gregory A. House, continued

Awards

- CCOF Presidential Award, California Certified Organic Farmers, February, 2001
- Meritorious Service in Communications, American Society of Farm Managers and Rural Appraisers, November 2004
- H.E. Buck Stalcup Excellence in Education Award, American Society of Farm Managers and Rural Appraisers, October, 2011

Appointments & Activities

- Adjunct Lecturer, University of California, Davis, Department of Agricultural & Resource Economics, current; Courses ARE 140 Farm Management; ARE 145 Appraisal of Farms and Rural Resources, current
- Instructor, “Principles of Farm Management”, an Internet course of the American Society of Farm Managers and Rural Appraisers, 1996 to 2007
- President, California Chapter American Society of Farm Managers & Rural Appraisers 1994–1995; Secretary-Treasurer, 1984 to 1990
- Board of Directors, Yolo Land Trust, 1993–2001
- Board of Directors, American Red Cross, Yolo County Chapter 1987–1989
- Member, Yolo County Right to Farm Grievance Committee 1992–1995
- Vice Chairman, Management Education Committee, American Society of Farm Managers and Rural Appraisers, 1998–2000 (committee member since 1986)
- Yolo County LAFCo Agricultural Forum LESA subcommittee, 1999
- California Certified Organic Farmers: Treasurer of the Board of Directors, 1998–2003; Executive Director, 1999–2000; Member of the Finance Committee, 1998–current
- CCOF Foundation Going Organic Program, Management Team member 2006–2012
- USDA Organic Grant Panel member, Washington, DC, 2002
- City of Davis Open Space and Habitat Commission, 2006–2016, Chairman, 2007–2009
- Member, Fruit Orchard Technical Advisory Group, Filoli Gardens, Woodside, California
- Member, Organic and Sustainable Agriculture Program Steering Committee, University of California Cooperative Extension, Yolo and Solano Counties, California, 2008–2013

Qualifications of Gregory A. House, continued

Speaking Engagements

- Guest Lecturer, University of Florida at Gainesville, Vegetable Crops Department, seminar on transition to organic agriculture, (November, 1994)
- Featured Program Speaker, 1995 Eco-Farm Conference, Asilomar, California , on economics of organic apple production
- Guest Speaker, Community Alliance with Family Farmers, on farm management and agricultural economics, 1996 and 1997
- Instructor, American Society of Farm Managers and Rural Appraisers, Course M-12, “Standards and Ethics for Professional Farm Managers”, March, 1997
- Guest Speaker, American Horticultural Society, “Challenges of Organic Stone Fruit Production”, Sacramento, California, July 2001
- Organizer and Presenter, Going Organic Kickoff Meetings, November 2005 and December 2006
- Master of Ceremonies, California Certified Organic Farmers, Annual Meeting, February, 2006, Sacramento, California
- Featured Program Speaker, 2012 Eco-Farm Conference, Asilomar, California, “Imitating Natural Systems: Towards an Indigenous Agro-forestry”
- Seminar presentation: “What Makes for Comparable Sales in Condemnation Appraisal” Rapid Fire Seminar, American Society of Farm Managers and Rural Appraisers, Reno , NV, October 2013.
- Featured Program Speaker, 2014 Eco-Farm Conference, Asilomar, California, “Food Safety Regulatory Compliance in Fruit Orchards.”

Publications

- “Principles of Farm Management”, Course M-10, a 40-hour professional credit Internet educational offering of the American Society of Farm Managers & Rural Appraisers
- “Conservation Issues in Agriculture”, a unit of Course M-25, a 15-hour professional credit Internet educational offering of the American Society of Farm Managers & Rural Appraisers
- “A Primer on Organic Agriculture,” an article in *2006 Trends in Agricultural Land and Lease Values*, a publication of the California Chapter of the American Society of Farm Managers & Rural Appraisers
- “Case Study: Using Indigenous Agroforestry Management Techniques to Support Sustainability in Production Agriculture”, a paper-poster presented at Harlan II, An International Symposium on Biodiversity in Agriculture: Domestication, Evolution and Sustainability, September 14-18, 2008, University of California, Davis

Qualifications
of
Henry House

Agricultural Consultant
Rural Appraiser
Consulting Agricultural Economist
Software Engineer
Farmer

Experience

Agricultural Consultant, Appraiser, Consulting Agricultural Economist. House Agricultural Consultants, providing agricultural science, economics, management, and appraisal services. 2000–present.

Farmer. Coco Ranch, a family farm growing organic apples, peaches, cherries, and field crops and raising sheep, poultry, and goats. 2000–present.

Software Engineer. Smashwords, Inc. 2011–present.

Topics of Professional Expertise

- Livestock management: carrying capacity of land, range management, standard of care for grazing animals.
- Management evaluation of commercial equestrian facilities.
- Valuation of rural land.
- Valuation of livestock.
- Agricultural economics.
- Statistical analysis.
- Software engineering.

Qualifications of Henry House, continued

Education

- B.S., “Natural History”, University of California, Davis, 1999, with Honors. Coursework in agronomy, botany, ecology, entomology, geology, hydrology, nematology, plant pathology, soil biology, sustainable agriculture, statistics, and wildlife biology.
- Numerous courses of the American Society of Farm Managers and Rural Appraisers regarding farm management and agricultural consulting.
- Numerous courses of the Appraisal Institute regarding real-estate appraisal
- Courses from Savory Institute regarding livestock management.

Partial List of Litigation Consulting Assignments

- Consulted for United States Department of Justice, 2015 through present in litigation regarding agricultural land in in Tehama County.
- Consulted for EMC Insurance Companies regarding fire-damaged rangeland.
- Consulted for numerous additional law firms and agricultural companies regarding crops and livestock. A list of additional litigation clients served is available upon request.

Partial List of Management Consulting Assignments

- Numerous consulting assignments for Leland Stanford Junior University on the management of its agricultural lands, which feature cattle, horses, and vegetable crops. Topics addressed have included livestock standard of care, carrying capacity of lands, safety of animals, safety of structures, and management of drainage and water quality.
- Consulting farm management for John and Marie Cronin Trust B, a landowner near Rio Vista, California. Lands were utilized for cattle grazing.
- Numerous appraisal assignments of farmland and rangeland properties utilized for crops and livestock (cattle, sheep, and aquaculture).
- A list of additional management-consulting clients served is available upon request.

Appointments & Activities

- Board Alternate, Nevada County Republican Party, 2019 to present.
- Board of Directors, Davis Media Access, Davis, California, 2014 to 2017.
- Board of Directors, Davis Farmers Market Association, 2001–2003.
- Assistant instructor, “Principles of Farm Management”, course M-10, an Internet course of the American Society of Farm Managers & Rural Appraisers, 1999 to 2003.
- Course proctor, “M-25: Enhanced Client Services”, an Internet course of the American Society of Farm Managers & Rural Appraisers, 1999 to 2003.

Speaking Engagements

- Assistant lecturer/instructor, “Farm Management”, course ARE 140, and “Rural Appraisal”, course ARE 145, University of California-Davis, 2015 to present.

Publications

- “Principles of Farm Management”, Course M-10, a 40-hour professional credit Internet educational offering of the American Society of Farm Managers & Rural Appraisers