

# On-Hire & Insurance Survey Report

Of

## *Pacific III*

**Report Prepared For:**

HSM Insurance  
&  
1008949 BC Ltd.  
PO Box 191  
Duncan, BC  
V9L 3X3

**Report Prepared By:**

Accurate Appraisals & Marine Surveys Ltd.  
735 Cherry Point Road  
Cobble Hill, BC  
V0R 1L3

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## Letter of Transmittal

September 3, 2021

1008949 BC Ltd.  
PO Box 191  
Duncan, BC  
V9L 3X3

Attention: Mr. Closson

Dear Gord:

*Re: On-Hire Survey of Pacific III*

In accordance with your request and authorization, I have prepared this Survey Report in accordance with the Uniform Standards of Professional Appraisal Practice to express an opinion of Fair Market Value for on-hire and insurance purposes on the barge, *Pacific III*, belonging to Pacific Industrial & Marine Ltd. It is my opinion that the total of the specified asset is reasonably stated in the region of \$110,000.00 CAD Fair Market Value (One hundred ten thousand dollars) as of August 31, 2021.

I confirm that I personally viewed the barge while in the water in Cowichan Bay on August 26, 2021. I then investigated into the market conditions for this type of barge to prepare this impartial report. This survey did not include a sea trial and represents those conditions that were externally visible above the water line. No determination of naval architecture or engineering, stability or structural strength has been made and no opinion is expressed.

This report must be viewed in its entirety to understand its content and context. The results stated in this Letter of Transmittal cannot be fully understood without the accompanying report and this letter should not be separated from the report. The opinion of value is based upon the analysis, facts and conditions presented in the accompanying report.

If you have any questions regarding this report, or if I may be of further assistance, please do not hesitate to call me for any clarification you may require.

Many thanks,

A handwritten signature in blue ink, appearing to read "Allen E. Waugh".

Accurate Appraisals & Marine Surveys Ltd.  
Allen E. Waugh, IIMS



## Nomenclature

Damage and wear is described by the following:

Light	Refers to nonstructural, minor wear and tear and deterioration.
Moderate	Refers to damage, wear or deterioration that affects structure but not as to require repair.
Moderate to Heavy	Refers to damage, wear or deterioration that should be closely examined at the next drydocking, refit or overhaul.
Heavy	Refers to damage, wear or deterioration that has affected the structural integrity or is in the process of failure such that it will affect structural integrity. Repairs are recommended at the next regular maintenance, drydocking, refit or overhaul.
Severe	Refers to damage, wear or deterioration that jeopardized the safety, structural integrity or watertight integrity of the vessel and should be repaired before the next voyage.
Set in/down/up	Refers to deflection of a structure member away from its constructed position with the web of the member remaining in its original plane.
Set over	Refers to deflection of a structural member that has taken the web of the member out of its original plane.

## Abbreviations

Vertical side shell frame	SS-F
Side Shell - longitudinal Frames	SS-LF
Side Shell Longitudinal Stiffener	SS-LS
Side Shell Plate	SS-P
Bottom Transverse Frames	B-TF
Bottom Longitudinal Frames	B-LF
Bottom Longitudinal Stiffener	B-LS
Bottom Longitudinal Girder	B-LG
Bottom Plate	B-P
Deck Transverse Frame	D-TF
Deck Longitudinal Stiffener	D-LS
Deck Longitudinal Girder	LDG
Deck Bracket	D-B
Deck Plate	D-P
Bracket Head log	BR-HL
Bracket Transom	BR-T
Bracket Bilge	BR-B
Bulkheads	BH
Bulkhead Stiffeners	BH-S

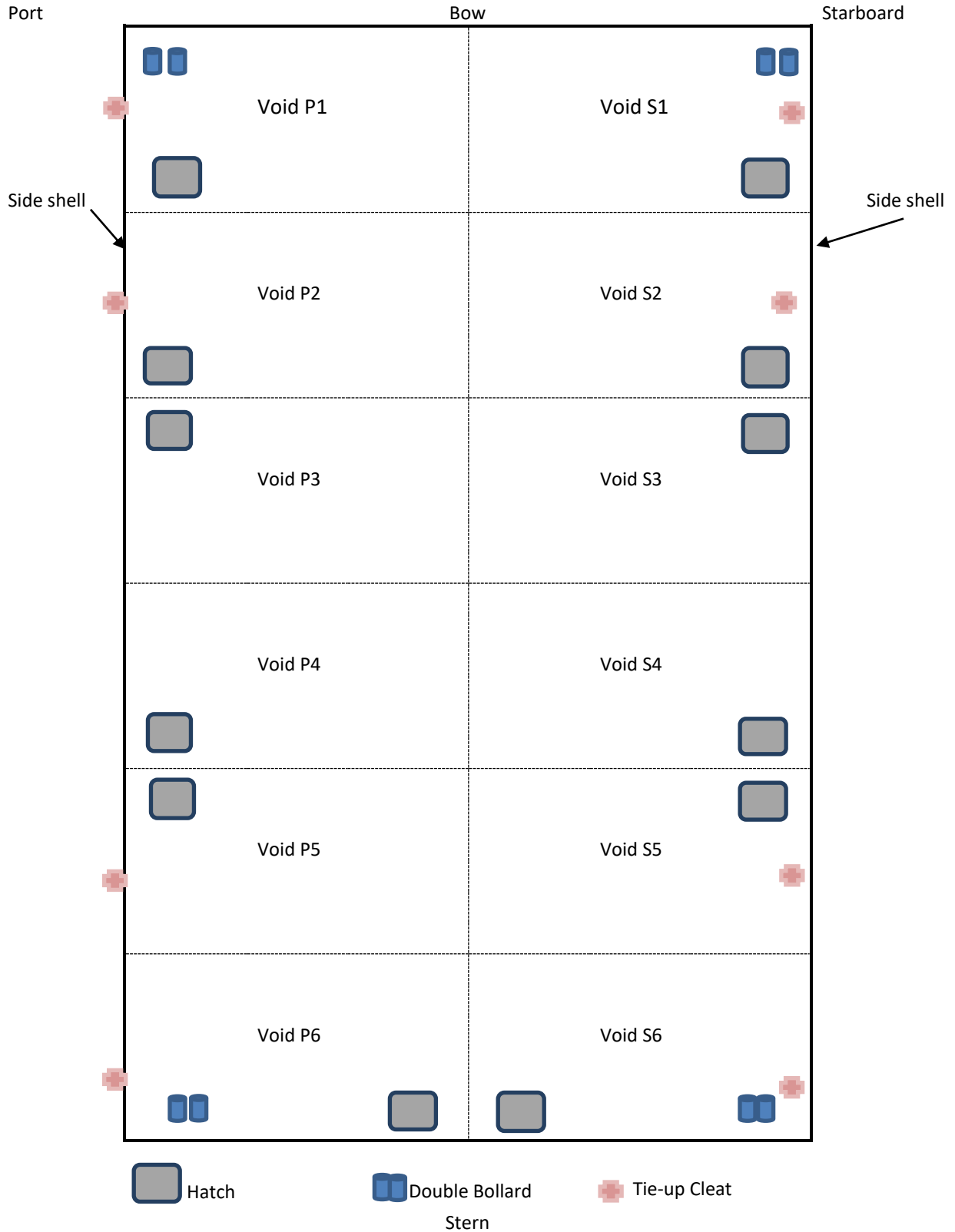
<b>Summary</b>	
<p>The <i>Pacific III</i> is a steel deck barge with a raked bow and raked stern with two towing skegs. <i>Pacific III</i> shows moderate wear on the side walls and deck. Pacific Industrial &amp; Marine Ltd. has done maintenance on the barge. 1008949 BC Ltd. is going to use the barge for light cargo on deck and as a helicopter landing pad.</p>	
<b>Surveyor's Notes</b>	
<ul style="list-style-type: none"> <li>• It is the responsibility of the owner and / or operator to ensure that they always comply with Transport Canada, Coast Guard, WorkSafe BC and all other applicable safety rules and regulations.</li> <li>• Deficiencies and recommendations should be completed as indicated below.</li> <li>• Complete compliance with, identification of, and reporting on all standards, codes and regulations is not guaranteed and is beyond the scope of the survey.</li> <li>• Barge did not have any significant listing noted while in water.</li> <li>• In my opinion, this barge was in fair condition at the time it was viewed.</li> <li>• Some areas of the deck could not be observed at the time of inspection.</li> <li>• The condition of the exterior of the hull and side shells below the water line could not be verified at the time the barge was viewed.</li> </ul>	
<b>Deficiencies &amp; Recommendations</b>	
<p>***Safety - Requires immediate action</p>	<ul style="list-style-type: none"> <li>➤ Void P2: Hatch cover needs to be repaired</li> <li>➤ Void P6: Bay 2 SS-P to B-P crack being repaired at time of survey</li> <li>➤ Void S4: Bay 4 SS-P hole in side shell needs to be repaired</li> <li>➤ Void S5: Hatch coaming needs to be repaired Broken bolt in hatch needs to be replaced</li> <li>➤ Void S6: Broken bolt in hatch needs to be replaced Damaged B-P/SS-P area that was filled with foam being repaired at time of survey</li> </ul>
<p>**Maintenance</p>	<ul style="list-style-type: none"> <li>➤ The ladders in the listed voids need to be repaired during general maintenance: P3, P4, P5, P6, S2, S4, &amp; S5</li> <li>➤ Void P1: Bay 6 – side shell stiffener condition and damage needs to be monitored</li> <li>➤ Void P4: Condition of SS-LF in Bay 1 should be monitored</li> <li>➤ Void P5: Condition of SS-LF in Bay 1 should be monitored and repairs done during general maintenance</li> <li>➤ Void S1: Hole in deck needs to be repaired within 60 days</li> <li>➤ Void S5: Condition of B-TF moderate set-over from side impact in Bays 1 &amp; 2 should be monitored</li> </ul>
<p>Recommendations</p>	<ul style="list-style-type: none"> <li>➤ Anode conditions should be monitored regularly and replaced as necessary.</li> <li>➤ Trim of barge should be monitored on a continuous basis.</li> <li>➤ Condition of hatch gaskets and bolts should be monitored regularly.</li> </ul>
<b>Valuation</b>	
Effective Date:	August 31, 2021
Estimated FMV CAD:	\$110,000

Barge Description			
<b>Vessel Particulars:</b> ▪ Official No.: 330387 ▪ Barge Name: <i>Pacific III</i> ▪ Former Names: <i>Seaspan 459 / V.T. No 187</i> ▪ Year Built: 1968 ▪ Port of Registry: Vancouver ▪ Registry Date: 1968-12-12 ▪ Certificate Expires: 2020-11-30 ▪ Vessel Type: Barge		▪ Gross Tonnage: 855.78 ▪ Net Tonnage: 855.78 ▪ Construction Type: Carvel / flush ▪ Construction Material: Steel ▪ Vessel Length: 54.86 m / 180' ▪ Vessel Breadth: 14.78 m / 49.5' ▪ Vessel Depth: 3.29 m / 10.8' ▪ Propulsion Type: Non-propelled ▪ Builder: Vancouver Shipyards Ltd.	
Barge Construction	Material	Size	Notes
Side Shell - Vertical Frames	Steel	18" x 3" x 3/8"	Formed
Side Shell – Longitudinal Frames	Steel	3" x 5" x 1/4"	Angle
Side Shell - Longitudinal	Steel	3/8"	Plate
Side Shell – Plate	Steel	5/16"	Plate
Side shell Guard	Steel	8"	Half round pipe
Bottom - Transvers Frames	Steel	18" x 3" x 3/8"	Formed
Bottom - Longitudinal Frames	Steel	3" x 5" x 1/4"	Angle
Bottom - Longitudinal Stiffener	Steel	3/8 and 1/2"	Plate
Bottom - Longitudinal Girders	Steel	21" x 4" x 3/8"	Formed
Bottom - Plate	Steel	3/8"	Plate
Deck – Transvers Frames	Steel	18" x 3" x 3/8"	Formed
Deck – Longitudinal Frames	Steel	3" x 5" x 1/4"	Angle
Deck – Longitudinal Stiffeners	Steel	21" x 4" x 3/8"	Formed
Deck – Longitudinal Girders	Steel	18" x 3" x 3/8"	Formed
Deck – Bracket	Steel	3/8" and 1/2"	Plate
Deck - Plate	Steel	5/16"	Plate
Bracket – Head Log	Steel	36" x 4" x 3/8"	Formed
Bracket – Transom	Steel	3/8"	Plate
Bracket – Bilge	Steel	3/8"	Plate
Bulkheads	Steel	1/4"	Plate
Bulkheads – Stiffeners	Steel	3" x 5" x 1/4"	Angle
Rake – Plate	Steel	3/8"	Plate
Skegs	Steel	Unknown	Plate
Stern Vertical Plate	Steel	3/4"	Plate
External Corners – Vertical	Steel	3/8"	Plate
VOIDS	12	21" x 14" /w 3"	Watertight
Bulkheads			
Longitudinal	One		
Transverse	Five		
Deck			
Material/Construction	Steel plate		
Hatches	21" x 14" with 3" coaming		
Deck Equipment			
Bollards / Tow Cleats	Two doubles forward and two doubles aft		
Tie-up Cleats	4 large cleats on port; the plate they are welded to sit 4" out board of hull Four tie up cleats on starboard		
Safety			
Life Rings	None		
Reboarding Device	None		

### Barge Description (cont.)

#### Deck & Void Diagram

Diagram not to scale and locations approximate – for illustrative purposes only



Barge Description (cont.)



## Barge Description (cont.)

### Void P1



#### Hatch:

- 14" x 21" with 3" coaming
- 8 bronze bolts & nuts
- Gasket in good condition
- Cover in good condition

#### Ladder:

- Good condition

#### Coating:

- Deck ~40%
- Bulkhead ~40%
- Side Shell ~40%
- Hull ~40%

#### Deck Beams:

- Light set-down

#### Side Shells:

- \*\*SS-LS damaged in Bay 6
- Bay 7 #2 SS-P ~40% wasted

#### Bulkheads:

- 3 x 3 x 1/4" angle

#### Hull:

- ~30% wasted
- Bay 2 B-P light set-up, but rib doesn't appear damaged

## Barge Description (cont.)

Void P2



### Hatch:

- 14" x 21" with 3" coaming
- 8 bronze bolts & nuts
- Gasket in good condition
- \*\*\*Cover damaged

### Ladder:

- Fair condition

### Coating:

- Deck ~70%
- Side shell ~30%
- Bulkheads ~60%
- Hull ~30%

### Deck Beams:

- Bay 3 D-TF light set down
- D-P light set-down



### Side Shells:

- ~30% wasted

### Bulkheads:

- ~10% wasted

### Hull:

- 2" water

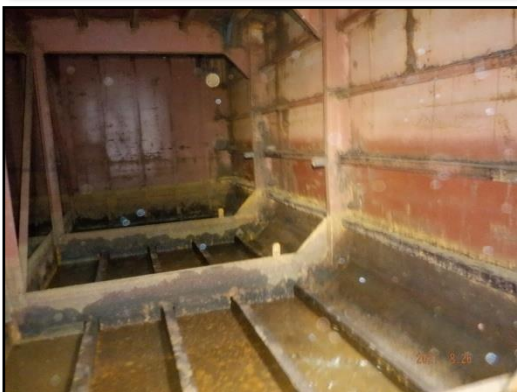


### Comments:

- Bilge bracket in Bay 7 appears to have been replaced
- A patch has been welded over side shell in Bay 3

## Barge Description (cont.)

### Void P3



#### Hatch:

- 14" x 21" with 3" coaming
- 8 bronze bolts & nuts
- Gasket in good condition
- Cover in good condition

#### Ladder:

- \*\*2 rungs are damaged

#### Coating:

- Deck ~70%
- Side shell ~40%
- Bulkheads ~40%
- Hull ~20%

#### Deck Beams:

- Bay 2,3 & 4 D-TF light set down
- D-P light set-down

#### Side Shells:

- SS-LF light set-in ~30% wasted
- SS-P has visible repairs

#### Bulkheads:

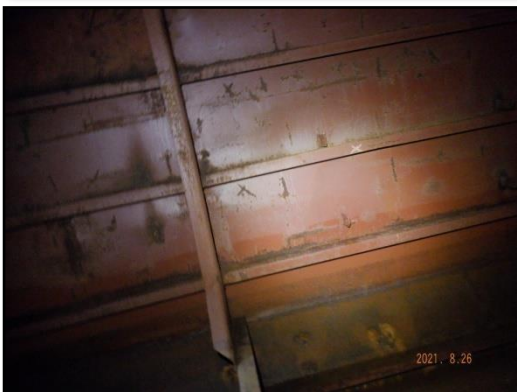
- Bay 5 BH-S ~40% wasted

#### Hull:

- 1" water

## Barge Description (cont.)

### Void P4



#### Hatch:

- 14" x 21" with 3" coaming
- 8 bronze bolts & nuts
- Gasket in good condition
- Cover in good condition

#### Ladder:

- \*\*Top rung cuts off access to void
- \*\*Missing bottom rung

#### Coating:

- Deck ~80%
- Side shell ~40%
- Bulkheads ~60%
- Hull ~10%

#### Deck Beams:

- Good condition

#### Side Shells:

- Bay 3 SS-LF moderate set-in
- \*\*Bay 1 SS-LF top #2 wasted ~50%

#### Bulkheads:

- Bay 1 bulkhead wasted ~30%

#### Hull:

- 5" water

## Barge Description (cont.)

Void P5



### Hatch:

- 14" x 21" with 3" coaming
- 8 bronze bolts & nuts
- Gasket in good condition
- Cover in good condition

### Ladder:

- \*\*3 rungs damaged

### Coating:

- Deck ~60%
- Side Shells ~60%
- Bulkheads ~50%
- Hull ~10%

### Deck Beams:

- D-P radius moderate set-down

### Side Shells:

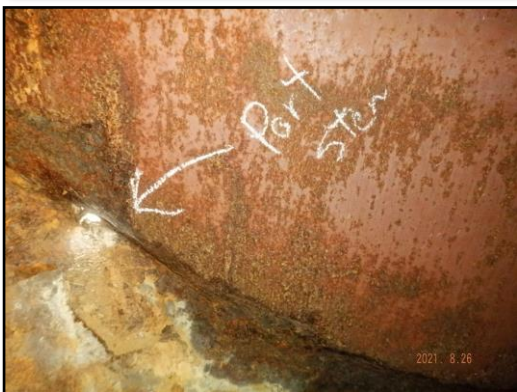
- \*\*Bay 1 SS-LF #2 side frames ~80% wasted moderate set-in

### Hull:

- 4" water

## Barge Description (cont.)

Void P6



### Hatch:

- 14" x 21" with 3" coaming
- 8 bronze bolts & nuts
- Gasket in good condition
- Cover in good condition

### Ladder:

- \*\*2 rungs are damaged

### Coating:

- Deck ~50%
- Side shell ~30%
- Bulkheads ~30%
- Hull ~30%

### Deck Beams:

- Bay 3,4,5 D-P light set-down

### Side Shells:

- Fair condition
- \*\*\*Bay 2 SS-P to B-P is cracked

### Bulkheads:

- Brackets ~30% wasted

### Hull:

- 4" water
- BR-HL light set-over

### Comments:

- Some side shell frames have been replaced

## Barge Description (cont.)

Void S1



### Hatch:

- 14" x 21" with 3" coaming
- 8 bronze bolts & nuts
- Gasket in good condition
- Cover in good condition

### Ladder:

- Good condition

### Coating:

- Deck ~20%
- Side shell ~20%
- Bulkhead ~70%
- Hull ~10%

### Deck Beams:

- \*\*Bay 5 1/4" hole in deck

### Side Shells:

- Moderate set-in
- \*\*Stiffener #4 to bulkhead in Bay 8 ~40% wasted

### Bulkheads:

- Bay 5 ~40% wasted at side shell 3rd frame

### Hull:

- 2" water

### Comments:

- Head log stiffener has been replaced

## Barge Description (cont.)

Void S2



### Hatch:

- 14" x 21" with 3" coaming
- 8 bronze bolts & nuts
- Gasket in good condition
- Cover in good condition

### Ladder:

- \*\*1 rung in poor condition

### Coating:

- Deck ~60%
- Side shell ~30%
- Bulkheads ~30%
- Hull 0%

### Deck Beams:

- Plating light set-in

### Side Shells:

- Bay 5 two side shell stiffeners ~40% wasted – moderate set-over

### Bulkheads:

- Bay 5 ~40% wasted at side shell

### Hull:

- Heavy rust
- 1" water

## Barge Description (cont.)

Void S3



### Hatch:

- 14" x 21" with 3" coaming
- 8 bronze bolts & nuts
- Gasket in good condition
- Cover in good condition

### Ladder:

- Good condition

### Coating:

- Deck ~50%
- Side shell ~40%
- Bulkheads ~60%
- Hull ~20%

### Deck Beams:

- Bay 5 light set-down

### Side Shell:

- Bay 2 SS-LF moderate set-in

### Bulkheads:

- Forward bulkhead 40% wasted at side shell

### Hull:

- 1" water

## Barge Description (cont.)

Void S4



### Hatch:

- 14" x 21" with 3" coaming
- 8 bronze bolts & nuts
- Gasket in good condition
- Cover in good condition

### Ladder:

- \*\*2 rungs in poor condition

### Coating:

- Deck ~60%
- Side shell ~45%
- Bulkheads ~60%
- Hull ~30%

### Deck Beams:

- Good condition

### Side Shells:

- SS-G damaged
- SS-VF bay 2 set-over
- \*\*\* Bay 4 SS-P has a hole

### Bulkheads:

- BR-B in Bay 8 ~50% wasted

### Hull:

- 3" water

## Barge Description (cont.)

### Void S5



#### Hatch:

- 14" x 21"
- \*\*\*Bottom coaming in poor condition
- 8 bronze bolts & nuts -\*\*\*1 broken bolt
- Gasket in good condition
- Cover in good condition

#### Ladder:

- \*\*Poor condition

#### Coating:

- Deck ~70%
- Side shell ~40%
- Bulkheads ~40%
- Hull 0%

#### Deck Beams:

- Deck plating light set-in

#### Side Shell:

- Bay 1 # 2 SS-LF 40% wasted
- Bay 3 SS-G set over moderate

#### Bulkheads:

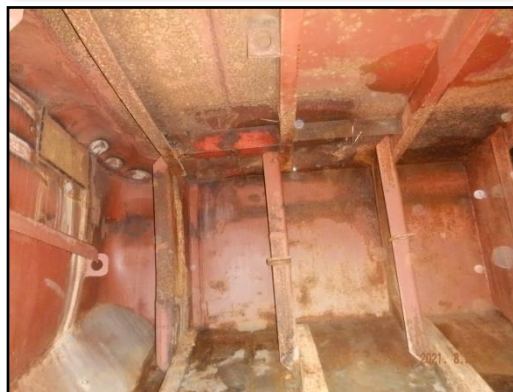
- Moderate rust

#### Hull:

- 10" water
- \*\*Bay 1 to 2 B-TF moderate set-over from side impact

## Barge Description (cont.)

### Void S6



#### Hatch:

- 14" x 21" with 3" coaming
- 8 bronze bolts & nuts – \*\*\*1 bolt is broken
- Gasket in good condition
- Cover in good condition

#### Ladder:

- Good condition

#### Coating:

- Deck ~80%
- Side shell ~20%
- Bulkhead ~60%
- Hull ~30%

#### Deck Beams:

- Fair condition

#### Side Shells:

- Bay 2 SS-LF set-over moderate

#### Bulkheads:

- Moderate rust

#### Hull:

- \*\*\*Bay 6 B-P to SS-P has a hole (Old damage filled with foam)

## Certification

I certify that, to the best of my knowledge and belief:

- The statements of facts contained in this report are true and correct. Unless otherwise noted, extraordinary assumptions and / or hypothetical conditions have not been used to develop the opinion of condition or value;
- The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased professional analysis, opinions and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved;
- I have performed services regarding the property that is the subject of 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 is not contingent upon the development or reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report;
- My analysis, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice;
- I have personally viewed the property that is the subject of this report;
- No one provided significant assistance to the person signing this certification;



Accurate Appraisals & Marine Surveys Ltd.

Allen E. Waugh, IIMS



## **Assumptions & Limiting Conditions**

- No investigation has been made of, and no responsibility is assumed for the legal description or for legal matters including title or encumbrances. Unless otherwise noted in this report, title to the property is assumed to be good and marketable. The property is valued as if it is free and clear of liens and other encumbrances unless otherwise stated.
- Information and data furnished by others, upon which all or portions of this report are based, is believed to be accurate and reliable and no further responsibility is assumed for its accuracy. No warranty is given and no liability is assumed as to the accuracy of such information.
- All opinions stated in this report are based upon the facts and data available to the surveyor at the time of this report. Should information not previously available, become available, the surveyor reserves the right to review the conclusions reached and make any adjustments should it become necessary.
- No liability or responsibilities is assumed for changes in condition, obsolescence, advancements in technology, changes in the marketplace or economy and other factors beyond the control of the surveyor.
- Potentially hazardous materials could, if present, adversely affect the value of the property. Unless otherwise noted, the possibility of the existence of these substances was not considered in the development of this report.
- Acceptance and use of this report indicates the intended users understand that it contains statements of opinion only and agree it will not be considered as representation, warranties or guarantees.
- Acceptance and use of this report acknowledges that the intended users understand that no determination of naval architecture or engineering, stability or structural strength has been made and no opinion is expressed.
- The subject asset was viewed as noted in the body of the report and represents only those conditions that were externally visible unless otherwise noted. It is assumed that there were no hidden or nonapparent conditions of the property that would affect the value or condition of the subject asset. When the date the asset was viewed differs from the effective date, it has been assumed there is no material change in the condition of the property.
- Acceptance and use of the survey report by the intended users indicates their agreement to indemnify and hold harmless Accurate Appraisals & Marine Surveys Ltd. and its employees from any, and all losses, claims, actions, damages, expenses and liabilities, including attorney's fees to which we may become subject in connection with this engagement.
- Use of this report acknowledges agreement by the intended users that Accurate Appraisals & Marine Surveys Ltd. and its employees are not responsible for consequential or indirect damages related to or out of this engagement, nor are they responsible for damage or deterioration not found while viewing the vessel, nor for consequential damage, deterioration or loss due to any error or omission.
- The delivery of this report constitutes the fulfillment of any contractual agreement and any further request for additional work, deposition, testimony and related will be subject to additional fee.
- No appraisal of land, permanent structure or any intangible assets that might exist was made.
- No consideration has been given in this report to raw materials, work in process, finished goods, or intellectual assets.

## Assignment Elements

Intended Use: This survey report consists of information regarding a specific barge, *Pacific III*, which is currently owned by Pacific Industrial & Marine Ltd. It has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice to express an opinion of Fair Market Value for on-hire and insurance purposes on the specified asset.

The value or values presented in this report are based upon the premises outlined and are valid only for the purpose stated.

Intended Users: A report has been provided for the exclusive intended use by 1008949 BC Ltd., and HSM Insurance.

This survey is performed for the direct benefit of the intended users and no person other than those specified are entitled to rely on the opinions, statements or conclusions contained in this report without prior express written permission. Possession of this report, or a copy thereof, does not carry with it the right of publication.

### Type & Definition of Value:

The following definition of value has been used in the valuation of the property which is the subject of this report:

Fair Market Value:

“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 to sell and both having reasonable knowledge of relevant facts, as of a specific date.”

Effective Date of Valuation: The effective date of valuation for this report is August 31, 2021. The surveyor has used his best professional judgment to accurately value the subject asset according to the above definitions, and the values reported in this document represent the opinion of the surveyor as of the effective date of the report, and for a limited time thereafter.

Subject of Assignment: *Pacific III* is a deck barge designed for marine construction and repair work. It is unpowered and is usually towed or pushed by another vessel.

## Scope of Work Summary

Field Work: Mr. Gord Closson requested an on-hire / in-water survey of the barge. The barge was personally viewed while in the water on August 26, 2021 in Cowichan Bay, BC.

The void interiors were entered and viewed, but the exterior below the waterline or the bottom of the barge was not viewed.

This survey did not include a sea trial and represents only those conditions that were externally visible above the water line. The information was obtained without drilling, diving, cleaning or opening to expose parts or conditions ordinarily concealed. There was no removal, withdrawal, cleaning or disassembly of any of the following: void spaces, decking, or hull structure. No fixed partitions, fittings, spare parts, gear or miscellaneous items in bilges or storage spaces were moved.

There were no tests for tightness or soundness conducted other than the conditions noted visually. Ultrasound readings were conducted in random locations on the hull interior; readings were within acceptable ranges.

No determine of naval architecture or engineering, stability or structural strength has been made and no opinion is expressed.

Research: To develop the opinion of values, the following were contacted or reviewed to help determine relationships between new and used prices and overall trends of marketability: original equipment manufacturers, used dealers and vendors, weekly and monthly trade magazines and websites.

Development & Methodology: In valuing machinery and equipment, there are three recognized approaches to value: the Sales Comparison (Market) Approach, the Cost Approach and the Income Approach. All three were considered for this report. Due to the adequate availability of market sales information, the Sales Comparison Approach has been used. The Cost Approach was not used as there was adequate market sales information available. The Income Approach was not used as it is difficult to isolate income attributable to individual assets.

In developing the opinion of value of barge, several factors have been taken into consideration:

- The condition of the barge as of the inspection date;
- The age of the barge;
- The present demand for these types of vessels;
- Recent comparable sales of similar vessels;
- The location of the barge;
- United States Exchange Rate; and
- No consideration has been given in this report to raw materials, work in process, finished goods, or intellectual assets.

## **Approaches to Value**

Sales Comparison Approach: “This is one of the three recognized approaches used in appraisal analysis to lead to an indication of the most probable selling price of a property (also known as the Market Approach). This approach involves the comparison of comparable recent sales (or offerings) of similar assets to the subject. If the comparable sales are not exactly like the subject, adjustments must be made to the price of the comparable sales (or offerings) to make the comparables reflect the subject property. The adjustments may be either up or down in order to estimate what the comparable would have sold for if it had the same characteristics as the subject.”

Cost Approach: “One of the three recognized approaches used in appraisal analysis. The appraiser starts with the current replacement cost new of the property being appraised and then deducts for the loss in value caused by physical deterioration, functional obsolescence, and economic obsolescence. The logic behind this approach is the principle of substitution; a prudent buyer will not pay more for a property than the cost of acquiring a substitute property of equivalent utility.”

Income Approach: “One of the three recognized approaches used in appraisal analysis. (this approach considers value in relation to the present worth of future benefits derived from ownership and is usually measured through the capitalization of a specific level of income.) The appraiser determines the present value of the future economic benefits of owning a property.”

## **Factors Affecting Value**

Depreciation: “...The actual loss in value or worth of a property from all causes including those resulting from physical deterioration, functional obsolescence, and economic obsolescence. Depreciation may be curable or incurable. The estimated loss in value of an asset.”

Physical Deterioration: “A form of depreciation where the loss in value or usefulness of a property is 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...”

Functional Obsolescence: “A form of depreciation in which the loss in value or usefulness of a property is caused by inefficiencies or inadequacies inherent in the property itself, when compared to a more efficient or less costly replacement property that new technology and changes in design, materials, or process that result in inadequacy, overcapacity, excess construction, lack of functional utility, excess operating costs, etc. has developed.”

Economic Obsolescence: “A form of depreciation or loss in value or usefulness of a property is caused by factors external to the property. These may include such things as the economics of the industry; availability of financing; loss of material and/or labour sources; passage of new legislation; changes in ordinances; increased cost of raw materials, labour or utilities; increased cost of raw materials, labour or utilities (without an offsetting increase in product price); reduced demand for the product; increased competition; inflation or high interest rates, or similar factors.”

(Source of definitions: American Society of Appraisers *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets – Third Edition 2011 – Pg. 502 - 567*)

## Definitions of Condition

Condition: “A characteristic that can be determined only through observation.”

New: “This term describes new items that have not been used before.”

Excellent: This term describes those items that are in near-new condition and have had very little use.

Very Good: “This term describes an item of equipment in excellent condition capable of being used to its fully specified utilization for its designed purpose without being modified and without requiring any repairs or abnormal maintenance at the time of inspection or within the foreseeable future.”

Good: “This term describes those items of equipment which are in good operating condition. They may or may not have been modified or repaired and are capable of being used at or near their full designed and specified utilization.”

Fair: “This term describes those items of equipment which because of their condition are being used at some point below their full designed and specified utilization because of the effects of age and/or application and that may require general repairs and some replacement of minor elements in the foreseeable future to raise them to be capable of being utilized to or near their original specifications.”

Poor: “This term is used to describe those items of equipment which because of their condition can be used only at some point well below their full designed and specified utilization, and it is not possible to realize full capacity in their current condition without extensive repairs and/or the replacement of major elements in the near future.”

Salvage: “This term is used to describe those items of equipment whose value remains in the whole property or a component of the whole property that has been retired from service.”

Scrap: “This term is used to describe those items of equipment which are no longer serviceable and which cannot be utilized to any practical degree regardless of the extent of the repairs or modifications to which they may be subjected. This condition applies to items of equipment which have been used for 100% of their useful life or which are 100% technologically, functionally or economically obsolete and are no longer serviceable and have no value other than for their material content.”

\*(Source of definitions: American Society of Appraisers *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets – Third Edition 2011 – Pg 502 - 567*)

**Curriculum Vitae**  
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Work Experience:

2009 – Present	President / Owner Accurate Appraisals & Marine Surveys Ltd. Personal Property Appraiser Marine Surveyor
1997 – 2009	Hayes Forest Services Limited Director, Equipment & Facilities <i>12 years appraising, buying &amp; selling logging &amp; marine equipment</i>
1989 – 1997	Hayes Forest Services Limited Heavy Duty Mechanic - Charge-hand
1981 – 1989	Pat Carson Bulldozing Limited Heavy Duty Mechanic - Charge-hand

Professional Memberships:

Accredited Senior Appraiser (ASA), American Society of Appraisers  
Machinery & Technical Specialties / Machinery & Equipment (MTS)  
International Institute of Marine Surveying Canada (IIMS Canada)  
Canadian Personal Property Appraiser (CPPA), Canadian Personal Property Appraisers Group

Association Memberships:

Committee Member, Heavy Duty Industry Advisory Council, Vancouver Island University  
Candidate Member, Equipment Appraiser Association of North America

Education:

American Society of Appraisers – Machinery and Equipment Appraisal Report Writing  
ME212 (Webinar Series)  
American Society of Appraisers – Machine & Equipment Valuation  
ME204 (Bethesda, MD)  
American Society of Appraisers – Machinery & Equipment Valuation  
ME203 (Chicago, IL)  
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American Society of Appraisers - Marine Survey Course  
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Uniform Standards Professional Appraisal Practice (USPAP) Course 2020 - 2021  
SE100 (Webinar)  
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Sauder School of Business - Fundamentals of Finance & Accounting  
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