



**IROQUOIS  
Valley Farms**  
Investing with Impact

# **SUPPLEMENTAL UPDATE REPORT**

FOR

## **IROQUOIS VALLEY FARMS, LLC PRIVATE PLACEMENT MEMORANDUM Offering of LLC Membership Interests**

### **COMPANY INFORMATION**

708 Church Street, Suite 227  
Evanston, IL 60201  
[www.iroquoisvalleyfarms.com](http://www.iroquoisvalleyfarms.com)

### **OFFERING CONTACT INFORMATION**

Kevin Egolf  
Chief Financial Officer  
[kegolf@iroquoisvalleyfarms.com](mailto:kegolf@iroquoisvalleyfarms.com)  
860-918-3563

This Supplemental Update Report dated March 31, 2016 (the “**Report**”) provides current information which may be useful for investors reviewing the Company’s Private Placement Memorandum dated April 13, 2015 (the “**Memorandum**”). All capitalized terms not otherwise defined in this Report are as defined in the Memorandum.

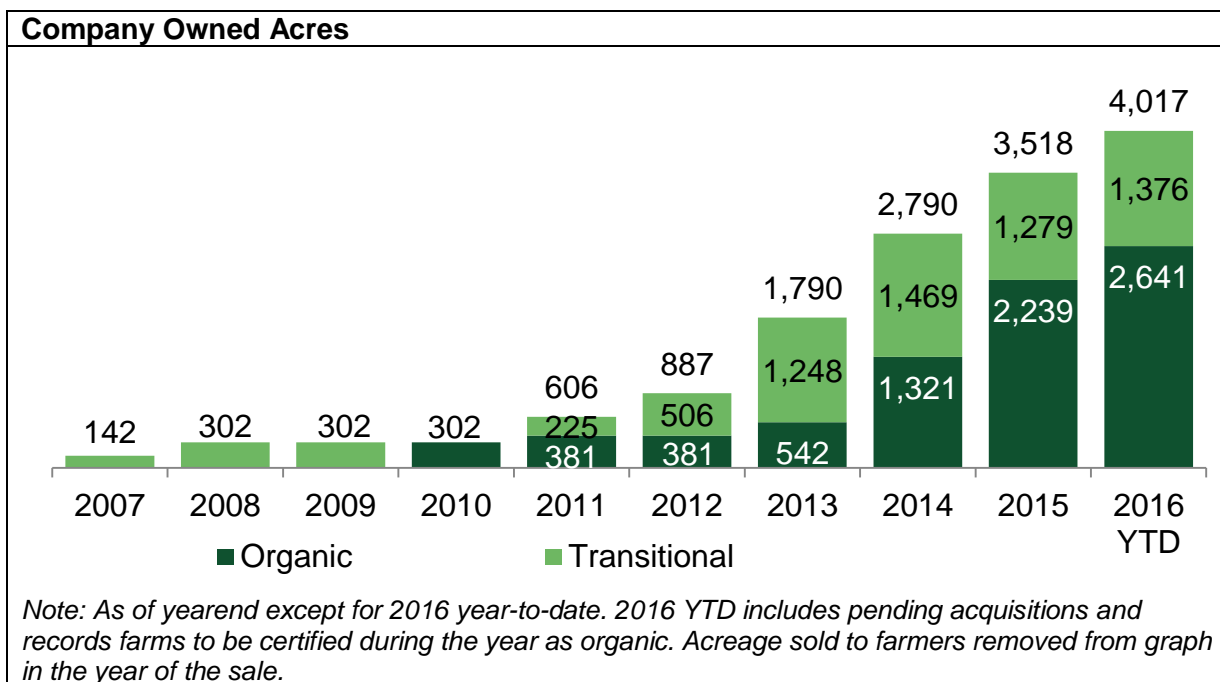
THIS REPORT IS AN UPDATE OF THE INFORMATION DISCLOSED IN THE MEMORANDUM AND INCLUDES ANY NEW INFORMATION THAT HAS COME TO THE COMPANY’S ATTENTION AND BEEN DEEMED MATERIAL OR POTENTIALLY MATERIAL BY THE COMPANY’S BOARD OF MANAGERS (THE “**BOARD**”). POTENTIAL INVESTORS IN THE OFFERING ARE REMINDED THAT THIS REPORT *MUST* BE READ IN CONJUNCTION WITH THE MEMORANDUM. TO THE EXTENT THAT ANYTHING HEREIN CONTRADICTS OR IS OTHERWISE DIFFERENT FROM THE INFORMATION DISCLOSED IN THE MEMORANDUM, THE INFORMATION IN THIS REPORT SUPERSEDES AND REPLACES SUCH INFORMATION IN THE MEMORANDUM. WHILE THE COMPANY’S MANAGEMENT HAS ENDEAVORED TO INCLUDE IN THIS REPORT ALL MATERIAL CHANGES AND NEW INFORMATION REGARDING THE OFFERING AS REFLECTED IN THE MEMORANDUM, THERE CAN BE NO ASSURANCE THAT SUCH IS THE CASE AND, THEREFORE, POTENTIAL INVESTORS IN THE OFFERING ARE STRONGLY URGED TO CAREFULLY CONSIDER THE RISKS OF AN INVESTMENT IN THE COMPANY WITH THEIR PROFESSIONAL ADVISORS BEFORE SUBSCRIBING.

## Extension of Offering

In the original Memorandum, the Company proposed a final closing date of March 31, 2016. Based on strong demand for new subscriptions and a continued need for capital to fund new acquisitions the Board voted to extend the offering until June 30, 2016. This extension was facilitated by the fact that the 2015 year-end valuation process concluded a fair Membership Interest price of \$142 per Membership Interest—the same value that was assessed for December 31, 2014 (see Valuation for more details). Given the original Offering was issued on April 10, 2015, the Company has prepared this Supplemental Update Report to provide additional information relative to that disclosed in the Memorandum and which may be relevant to a potential investor. To the extent that any of the information in this Report contradicts or augments information in the Memorandum, the information in this Report supersedes and replaces such information in the Memorandum and, accordingly, this Report is not an offering document itself but amends and updates the Memorandum which is an offering document and, therefore, a potential subscriber should read this Report and the Memorandum together to achieve a complete and up-to-date assessment of the Company and the Offering.

## Farmland Summary

Continuing on the success of prior years the Company purchased six farms in 2015 and one in early 2016. The Company also has two farms under contract. All of these farms are under organic management, either with a USDA Organic certification or in transition to obtaining certification. All of the farms purchased in 2015 are leased to young millennial farmers under the Young Farmer Land Access Program (see “Acquisition Strategy” in the Offering for more details on the Young Farmer Land Access Program). The Company Owned Acres chart outlines the progression of the Company since inception and the Farmland Summary table below provides a listing of all the farmland owned and under contract.



<b>Farmland Summary</b>					
<b>Farm</b>	<b>Purchase Year</b>	<b>Acres</b>	<b>Status</b>	<b>State</b>	<b>County</b>
Hoekstra	2007	81	Organic	IL	Iroquois
Martin	2008	160	Organic	IL	Iroquois
Denker	2011	225	Organic	IL	Livingston
Pleasant Ridge	2011	76	Organic	IL	Livingston
Old Oak	2012	121	Organic	IN	Huntington
Rock Creek	2012	80	Organic	IL	Will
Hedge Creek	2012	80	Organic	IL	Will
Red Oak	2013	115	Organic	IN	Boone
Jackman	2013	71	Organic	IN	Boone
Mooday	2013	59	Organic	IN	Montgomery
Shiawassee	2013	238	Organic	MI	Shiawassee
Mary Ellen's	2013	115	Organic	IL	Iroquois
Taconic Ridge	2013	134	Organic	NY	Washington
One Bottom	2013	40	Organic	IL	Iroquois
Sparta Woods	2013	166	Organic - 2016	IN	Noble
Union Fair	2014	180	Organic	ME	Knox
Healing Ground	2014	110	Organic	KY	Rockcastle
Two Roads	2014	240	Organic	IL	Shelby
Mystic River	2014	175	Organic	WV	Monroe
Brindle	2014	65	Organic	IN	Allen
Lakeville	2014	259	Transitional	IN	St. Joseph
Mackinaw	2015	114	Transitional	IL	Ford
South Grove	2015	77	Transitional	IL	Dekalb
Earlville	2015	177	Organic	NY	Madison
Saginaw Bay	2015	230	Transitional	MI	Tuscola
Jubilee	2015	53	Transitional	IN	Elkhart
Yoder	2015	79	Transitional	MI	Noble
Tower Road	2016	80	Transitional	IL	Allen
Bahasaba	pending	320	Transitional	MT	Hill
Lake Wawasee	pending	99	Transitional	IN	Noble

The Company has 100% occupancy on its farms for the 2016 season.

### **Mortgage Financing**

In January 2016, the Board approved a mortgage financing policy, whereby the Company can issue mortgage secured financing up to 75% of an appraised value. The Board and Company believe there are opportunities to work with organic family farmers whereby acquisition and leasing may not be the optimal solution. In these scenarios the Company may choose to be a

lender. The Company completed its first financing on February 9<sup>th</sup>, 2016, with Mint Creek Farm, a diversified livestock operation focused on rotational grazing on perennial pasture. This financing was a \$1.25 million first mortgage loan. The Company may choose to pursue additional financing opportunities in the future consistent with the Board approved policy.

## Valuation

Consistent with past practices the Company undertook an annual valuation process to determine a fair Membership Interest price for a valuation date of December 31, 2015. This process involved obtaining independent appraisals on all farms owned more than one year. Independent appraisals generally focus on comparable sales for the assessment of farmland value. In this methodology, the Company's organic farms are compared to recent conventional farmland sales. As such, the Company and Board believe that organic farmland is undervalued when only using the appraised value as required under GAAP. For purposes of determining the Offering price, the Board has added an incremental value of \$350 per acre for farms that have gone through the organic transition process and received certification or will receive certification in this year (excluding acres purchased this year and acres not actively used in farming operations—waterways and forests). A valuation comparison is provided in the table below. Additional information can be found in the *Offering Price Factors* and *Capitalization* sections of the Memorandum.

<i>(\$ in thousands, except price per Interest / Acre)</i>	<b>Dec. 31, 2014</b>	<b>Dec. 31, 2015</b>
Total Debt	\$5,550	\$6,352
Members Equity	14,704	18,274
Total Capitalization	\$20,254	\$24,626

Acres Organic by	<u>2015</u>	<u>2016</u>
Next Season	1,525	2,316
Organic Premium per Acre	\$350	\$350
Incremental Equity Value	\$534	\$810
Organic Premium Equity Value	\$15,238	\$19,084

Membership Interests:		
Outstanding	106,139	133,661
Diluted (GAAP pricing)	112,539	138,111
Diluted (Board pricing)	119,839	145,411
Equity Per Membership Interest (GAAP):		
Outstanding	\$139	\$137
Diluted	\$137	\$136
Equity Per Membership Interest (with Organic Premium):		
Outstanding	\$144	\$143
Diluted	\$142	\$142

## Officers and Key Personnel of the Company

Since the date of the PPM, there have been two notable changes in the key personnel of the Company. Patrick Meara, the prior Chief Financial Officer, resigned from his position. Mr. Meara was a part-time employee and the role of CFO became too much for a part-time staff member. Kevin Egolf, who previously was the Managing Director of Business Operations, has taken over CFO responsibilities. Mr. Meara is providing limited consulting services through 2016 as part of his departure. Thomas Perry, the prior Chief Operating Officer, also resigned from his position. Arnold Lau, who previously was the Senior Vice President of Strategic Planning & Development, is now the acting COO. Mr. Perry is still on the payroll as part of his transition. Additionally several new employees and key personnel have been retained. The list below reflects Officers and Key Personnel of the Company. Full biographies can be found on the Iroquois Valley Farms website.

**David E. Miller**, President and Chief Executive Officer  
**Kevin Egolf**, Chief Financial Officer  
**Arnold Lau**, Chief Operating Officer  
**John Steven Bianucci**, Director of Impact  
**Teresa Opheim**, Director of Young Farmer Land Access Program  
**Claire Mesesan**, Communications Manager  
**Rita Billon**, Director of Marketing Communication  
**Dale Guldbrandsen**, Vice President Corporate and Investor Relations

### Consultants / Contractors

Teresa Ophiem, Rita Billon and Dale Guldbrandsen are contracted as independent consultants. The Company uses other consultants and contractors that are not key personnel for various projects and assignments on an as-needed basis. The Company also has a few individuals that volunteer time for specific initiatives.

## Members of the Company's Board of Managers

During the annual meeting of Iroquois Valley Farms, held on July 18, 2015, the voting membership voted to expand the Board to nine Managers from seven. Additionally during the meeting five Managers were elected to new or additional terms. Serving new terms are Sally Dodge, David E. Miller, Coleen Reedy and Harold Wilken. Serving an additional term is Arnold Lau.

In 2016, Ted Kennedy, whose term was set to expire this year, resigned from his position as Board Manager due to time commitment constraints. The Company is looking to fill that vacancy. The list below reflects the current Board of Managers. Full biographies can be found on the Iroquois Valley Farms website.

**Stephen P. Rivard, M.D., Chair of the Board of Managers** (*term ends in 2019*)  
**Sally Dodge** (*term ends in 2018*)  
**David E. Miller** (*term ends in 2018*)  
**Coleen Reedy** (*term ends in 2018*)  
**Arnold Lau** (*term ends in 2017*)  
**Harold Wilken** (*term ends in 2017*)  
**Andy Ambriole** (*term ends in 2016*)  
**Andy Loving** (*term ends in 2016*)

## Litigation

There are no updates to any litigation matters for the Company. There is still one small non-material claim against the Company in Maine. Management believes the total exposure for that claim is less than \$5,000.

## Financial Results

The financial information contained in this Report includes the audited financial statements as of and for the years ended December 31, 2015 and December 31, 2014. The financial results presented below are taken from the Financial Statements and Independent Auditors' Report. The financial statement notes are an integral part of the financial statements and are appended to and incorporated into this Report as Exhibit A.

### Balance Sheet

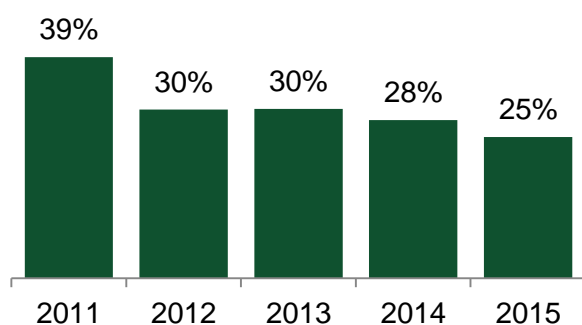
<u>ASSETS</u>	Year Ending December 31,	
	2014	2015
Cash and cash equivalents	\$ 1,383,113	\$ 1,241,412
Rent receivable and other current assets	243,899	275,679
Other long-term assets	1,000	1,000
Investments in real estate, at fair value	<u>18,711,083</u>	<u>23,243,935</u>
	<u>\$ 20,339,095</u>	<u>\$ 24,762,026</u>
 <u>LIABILITIES AND MEMBERS' EQUITY</u>		
Mortgages Payable	\$ 3,205,355	\$ 3,147,475
Accrued liabilities	81,483	131,970
Accounts Payable	3,164	22,856
Note payable, subordinated	<u>2,345,000</u>	<u>3,205,000</u>
	5,635,002	6,507,301
MEMBERS' EQUITY	<u>14,704,093</u>	<u>18,254,725</u>
	<u>\$ 20,339,095</u>	<u>\$ 24,762,026</u>

## Income Statement

	Year Ending December 31,	
	2014	2015
Rental income	\$ 635,623	\$ 913,277
Lease reimbursements	35,902	68,149
	671,525	981,426
Direct expenses		
Real estate taxes	55,264	99,427
Insurance and other	6,543	28,416
	61,807	127,843
Net rental income	609,718	853,583
General and administrative expenses	347,444	476,824
Interest expense	144,343	186,617
Option-based compensation expense	74,124	99,321
Operating income (loss)	43,807	90,821
Net appreciation from invmt. in real estate	(33,391)	(312,018)
<b>NET INCOME (LOSS)</b>	<b>\$ 10,416</b>	<b>\$ (221,197)</b>

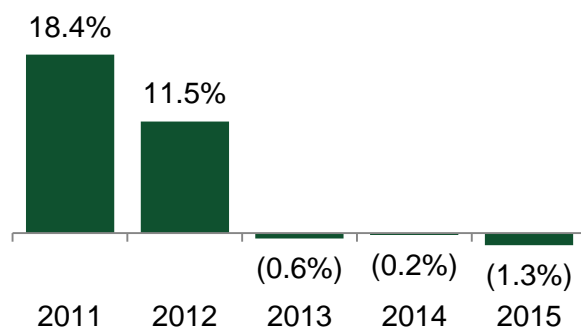
## Supplemental Financial Analysis

### Leverage – Debt to Assets



The Company has deleveraged over the past few years as a measure to improve cash flow and increase net income as well as strengthen the overall balance sheet. The management actively targets a conservative leverage of less than 33%.

### Change in Real Estate as a % of Assets



The GAAP reported net income includes non-cash gains / (losses) on the farmland portfolio (see *net appreciation from investment in real estate* above). While the aggregate dollar amounts of these figures may seem large they generally represent a small change in the overall portfolio value.



## Financial Projections

	Audited 2015	Projection Year Ending 2016P	Projection December 31, 2017P	Projection 2018P
Rental income	\$913,277	\$1,157,700	\$1,495,200	\$1,682,700
Lease reimbursements	68,149	90,400	116,754	131,395
	981,426	1,248,100	1,611,954	1,814,095
Direct expenses				
Real estate taxes	99,427	99,100	127,990	144,040
Insurance and other	28,416	31,300	40,425	45,494
Net rental income	853,583	1,117,700	1,443,539	1,624,561
General and administrative exp.	476,824	631,400	693,140	725,638
Interest expense	186,617	279,600	288,600	288,600
Option-based compensation exp.	99,321	85,700	60,000	50,000
<b>Operating income</b>	<b>\$90,821</b>	<b>\$121,000</b>	<b>\$401,799</b>	<b>\$560,323</b>

Management has prepared the above projections assuming full subscription of this Offering. While management believes its projections have a reasonable basis, there can be no assurance the projections will be met, and actual results may be materially different based on a number of variables, many of which are not within the Company's control. Significant assumptions used in the projections are discussed below.

### Assumptions

Rental income in 2016 reflects the addition of several known and projected acquisitions and financing opportunities. In total this represents \$6.5 million of deployed capital that will generate revenue in 2016. In addition, the Company expects to make farm acquisitions in Q4 of 2016, which will generate revenue in 2017. The Company expects to use a mix of cash and debt financing to fund the acquisitions and loans. The G&A assumption is based on known salaries, the largest component of G&A, as well as an approximate 10% increase on most other G&A expenses.

In 2017, the Company expects to have \$9 million of new assets generating revenue for the year. This includes purchases made in late 2016 as well as purchases made in 2017 and further assumes approximately \$3 million is financed. G&A is forecasted to increase approximately 10% over the prior year.

In 2018, the Company is forecasting \$5 million of new assets generating revenue for the year and assumes no additional financing. G&A is forecasted to increase approximately 10% over the prior year.

All maturing short-term debt is assumed to be renewed at the rates currently in place, which range from 2.0% to 2.5%.



The Company is phasing down the option program as cash compensation is being increased and thus option-based compensation is projected to decrease throughout the projection period.

## **Exhibit A**

Financial Statements and Independent Auditors' Report for the years ended December 31, 2015 and December 31, 2014 incorporated by reference.