

***APPRAISAL REPORT  
DANA/LONG POINT/READING/ANCONA WATER COMPANY  
LASALLE AND LIVINGSTON COUNTIES, ILLINOIS***

Project #C15-187

***PREPARED FOR:***

***MR. JEFFREY T. KAISER  
DIRECTOR OF ENGINEERING  
ILLINOIS AMERICAN WATER  
100 NORTH WATER WORKS DRIVE  
BELLEVILLE, ILLINOIS 62223***

***PREPARED BY:***

***DJ HOWARD & ASSOCIATES, INC.  
820 BROADWAY  
HIGHLAND, ILLINOIS 62249***

***AS OF***

***JULY 2015***

# DJ Howard & Associates, Inc.

## Real Estate Appraisal and Consulting

820 Broadway  
Highland, Illinois 62249

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Phone (618) 654-7790

Fax (618) 654-7792

August 10, 2015

Mr. Jeffrey T. Kaiser  
Director of Engineering  
Illinois American Water  
100 North Water Works Drive  
Belleville, Illinois 62223

RE: Appraisal Report  
Dana/Long Point/Reading/Ancona Water Company  
LaSalle and Livingston Counties, Illinois

Dear Mr. Kaiser:

At your request, we have made a personal inspection and prepared the following Appraisal Report of the above referenced property. The purpose of this appraisal report is to estimate the market value of the assets owned by Dana/Long Point/Reading/Ancona Water Company. For the purposes of this appraisal, the company shall be referred to as DLP Water Company for brevity sake. The date to which the “as is” value estimate shall apply is July 7, 2015, the date of our property inspection.

DLP Water Company is a water distribution company and includes no water treatment plants. Water is purchased in bulk from Illinois American Water Company and passes a master meter with booster pump station located near the intersection of North 575 Road E and E 3000 Road North in an unincorporated area of Livingston County east of Reading, Illinois. The system runs in a southwesterly direction through the towns of Ancona and Long Point through to Dana, Illinois. There is a water tower for storage and to stabilize pressure in the system located at the end of the system. This tower is located on leased land and is 115' tall with a 68,000 gallon capacity. The booster pump station is located on land owned in fee simple interest by the DLP Water Company. The rest of the system is located within county or township right-of-ways or easements granted by private land owners, or BNSF railroad. The subject system was originally constructed in 2009 and includes approximately 17 miles of water pipeline and was designed to serve 200 customers. As of the date of our inspection, there were reportedly approximately 150 customers online.

A more complete description of the property, together with the sources of information and the bases of estimates, are presented in the accompanying sections of this summary report. Your attention is called to the relevant assumptions, limiting conditions and certification found later in this report.

It is our opinion that the market value of the subject property, in its "as is" condition, subject to the basic assumptions and limiting conditions contained herein, as of July 7, 2015, is:

***\$1,350,000***

***(ONE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS)***

Our estimate of market value assumes a marketing period of one year or less. Our estimate of market value is intended solely for your information, and may not be used for any purpose other than indicated in this letter. Our analysis is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry and certain information which you provided. The sources of information and bases of the estimates and assumptions are stated in the appropriate sections of this summary report. Under the terms of this engagement, we have no obligation to revise this analysis or the estimate of market value to reflect events or conditions that occur subsequent to the date of the appraisal.

Neither the whole, nor any part of this appraisal report or any reference thereto, may be included in any document, statement or circular without our prior written approval of the form and context in which it appears.

Respectfully submitted,

**DJ HOWARD & ASSOCIATES, INC.**

A handwritten signature in blue ink that reads "Donna J. Howard". The signature is written in a cursive style with a large, stylized initial "D".

Donna J. Howard  
Illinois State Certified  
General Real Estate Appraiser  
License No. 553001267

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*Livingston and LaSalle Counties, Illinois*

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**STATEMENT OF BASIC ASSUMPTIONS AND LIMITING CONDITIONS**

It should be noted that our appraisal report is subject to the following assumptions and limiting conditions:

1. this analysis should be considered a narrative appraisal report of the subject property, its environs, as well as two of the three approaches to value in order to estimate the market value of the fee simple interest in the subject property.
2. that the fee simple estate is marketable and that the property is free and clear of all liens, encumbrances, easements and restrictions which might affect value, unless otherwise noted.
3. that the appraiser assumes no liability for matters legal in nature.
4. that the property will not operate in violation of any applicable government regulations, codes, ordinances or statutes.
5. that, in the absence of any available soil boring data, there are no concealed or dubious conditions of the subsoil or subsurface waters including water table and flood plain. We further assume there are no regulations of any government entity to control or restrict the use of the property except as may be specifically referred to in this appraisal report.
6. that there is no significant change in the supply and demand patterns as revealed in my current research and as indicated in this summary report. This appraisal report is an analysis of the property under market conditions observed as of July 7, 2015, and does not constitute a market feasibility study. Market conditions have been investigated and analyzed, and the conclusions resulting therefrom are believed to be correct; however, the appraiser assumes no liability should future market conditions materially change because of unusual or unforeseen circumstances.

This summary report is subject to the following contingent or limiting conditions.

1. All of the facts, conclusions and observations contained herein are consistent with information available as of the date of valuation. The value of real estate is affected by many related and unrelated economic conditions, local and national. We assume no liability for unforeseen changes in the future economy or for the inability of the property owner to find a purchaser at the value reported herein.
2. The valuation applies only to the property described herein. Allocations of total value between land and the improvements as shown herein may be invalidated if used separately or in conjunction with any other letter.
3. All maps, sketches and site plans prepared by others are assumed to be correct but, in the absence of surveys prepared or authorized for this letter, we assume no responsibility for their accuracy.
4. Information furnished by others is presumed to be reliable, and where so specified in this summary report, has been verified; but no responsibility, whether legal or otherwise, is assumed for its accuracy. No single item of information was completely relied upon to the exclusion of other information.
5. The signatories herein shall not be required to give testimony or attend court or any governmental hearing with reference to the subject property unless prior arrangements have been made with the client and with the appraiser.
6. Disclosure of the contents of this summary report is governed by the Bylaws and Regulations of the Appraisal Institute. Neither this report nor any portions thereof (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute) shall be disseminated to the public through public relations, news media, advertising media, sales media or any other public means of communication without the prior written consent and approval of the appraiser.
7. This appraisal report reflects the opinion of the appraisers and the conclusions expressed herein are in no way contingent upon any restrictions, limitations or influences.
8. The date to which the value estimate conclusions apply is set forth in the letter of transmittal and within the body of the report. The value is based on the purchasing power of the United States dollar as of the effective date of letter.
9. The legal description shown herein has been included for the sole purpose of identifying the subject property. The figures have not been verified by a licensed surveyor or legal counsel and should not be used in any conveyance or any other legal document.

10. It should be specifically noted by any prospective mortgagee that this appraisal report assumed that the property will be competently maintained and managed by financially sound owners over the estimated period of ownership. Due to the importance of the underwriting consideration, we do not presume to advise the amount which should be loaned with the property held as security.
11. We were not aware of, and this appraisal report does not take into consideration the possibility of the existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks containing hazardous material. The report does not consider the cost of encapsulation, treatment or removal of such material. If the client/property owner has a concern over the existence of such conditions in the subject property, the appraisers consider it imperative to retain the services of a qualified engineer or contractor to determine the existence and extent of such hazardous conditions. Such consultation should include the estimated cost associated with any required treatment or removal of hazardous material.
12. Possession of this appraisal report or a copy thereof does not carry with it the right of publication, nor may it be used for any purpose by anyone but the client without the prior written consent of the appraisers, and then only with proper qualification.
13. Zoning information contained in this report was obtained from zoning officials or published codes and may be subject to unintentional errors or omissions pertaining to the present and future legal use and occupancy of the property.
14. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

**SUMMARY OF SALIENT FACTS AND CONCLUSIONS**

Property Identification:	Dana/Long Point/Reading/Ancona Water Company Livingston and LaSalle Counties, Illinois
Property Type:	A water distribution company
Ownership:	Dana/Long Point/Reading/Ancona Water District Sometimes referred to as "Tri-Community Water District"
Date of Valuation:	July 7, 2015
Date of Inspection:	July 7, 2015
Legal Interest Appraised:	Fee Simple Interest and Easements
Site Description:	
Booster Pumping Station:	1.5 acres, or 65,340 square feet
Water Lines:	Approximately 17 miles of 20' wide easements which are located along acquired easements or public right- of-ways.
Improvements Description:	
Water Stand Pipe:	115' height x 10' nominal center; 68,000 gallon capacity
Water lines:	Approximately 17 miles of 4" and 6" PVC water lines
Various Equipment:	Master meter and various hydrants, vaults and other ancillary appurtenances utilized for the operating of a water company
Highest and Best Use:	Water Company
Estimates of Market Value:	
Cost Approach	\$1,630,000
Income Capitalization Approach	N/A
Sales Comparison Approach	\$1,200,000
Final Estimate of Market Value:	<b><u>\$1,350,000</u></b>

# **INTRODUCTION**

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**PROPERTY IDENTIFICATION**

DLP Water Company is a water distribution company and includes no water treatment plants. Water is purchased in bulk from Illinois American Water Company and passes a master meter with booster pump station located near the intersection of North 575 Road E and E 3000 Road North in an unincorporated area of Livingston County east of Reading, Illinois. The system runs in a southwesterly direction through the towns of Ancona and Long Point through to Dana, Illinois. There is a water tower for storage and to stabilize pressure in the system located at the end of the system. This tower is located on leased land and is 115' tall with a 68,000 gallon capacity. The booster pump station is located on land owned in fee simple interest by the DLP Water Company. The rest of the system is located within county or township right-of-ways or easements granted by private land owners, or BNSF railroad. The subject system was originally constructed in 2009 and includes approximately 17 miles of water pipeline and was designed to serve 200 customers. As of the date of our inspection, there were reportedly approximately 150 customers online.

The only parcel owned by DLP Water Company in fee simple interest is a rectangular shaped parcel of land located at the northwest intersection of 30021 North (County Highway 17) and North 575 East Road with a total land area of 1.5 acres, or 65,340 square feet. The parcel is identified by Livingston County as parcel number 01-13-451-005. In addition, we have reviewed copies of easements which have been procured from private property owners and the BNSF Railroad and these legal descriptions have been retained in our workfiles. The remainder of the system is located within the existing right-of-ways of various townships. We have not verified these legal descriptions and assumed that they accurately describe the subject property. Any party intending to acquire an interest in the subject property, financial or otherwise should perform their own due diligence regarding this matter.

**HISTORY OF OWNERSHIP SUMMARY**

Ownership of the subject is vested in the name of Dana/Long Point/Reading/Ancona Water District. It should be noted that some document refer to the water company as Tri-Community Rural Water District. The system was developed in 2009 and is currently being operated by Illinois American Water Company, who also supplies the system with water. As of the date of this appraisal Illinois American Water Company is considering acquiring the assets of the DLP Water Company. There has been no sales price set as of yet. Pursuant to the passage of the "Water Systems Viability Act", the sale price will be determined by three independent appraisals of the subject property.

**PURPOSE OF THE ASSIGNMENT**

The purpose of this assignment is to estimate the market value of the fee simple interest in the subject property.

### **INTENDED USE OF THE APPRAISAL**

This appraisal report is intended solely for your information and internal decision making purposes regarding a potential sale transaction between Dana/Long Point/Reading/Ancona Water District and Illinois American Water Company. This report is not intended for any other use.

### **INTENDED USER OF THE APPRAISAL**

Intended users of this appraisal include the Dana/Long Point/Reading/Ancona Water District and Illinois American Water Company and their legal and financial representatives regarding a potential sale of the assets.

### **SCOPE OF THE ASSIGNMENT**

This appraisal is prepared in compliance with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of the Appraisal Foundation as well as the standards and requirements of the "Water Systems Viability Act, Sec 9-210.5"

As part of this appraisal, we have made a number of independent investigations and analyses. This assignment involves several steps which included but were not limited to the following steps:

- An inspection of the water system was made by Donna Howard accompanied by Mr. David Clifton, a representative of the Illinois American Water Company. I have reviewed system maps and other documents as provided by the water company.
- Basic property data has been gathered from a variety of sources including city and county governmental agencies. In addition, we have relied upon data contained in our files, which are updated regularly. The major sources of comparable data for this appraisal, in addition to office files and Livingston and LaSalle County records, were the Loopnet and Co-Star Commercial Real Estate, real estate brokers, and other real estate appraisers familiar with the subject market area.
- The subject property is a water distribution system in which the majority of the assets of the company include water storage tanks, water lines and various valves, meters and pressure regulators. We have been provided with an estimate of the replacement cost new of this equipment as prepared by Hutson and Associates. We have relied upon this information in developing a Cost Approach in order to estimate the market value of the subject property.

- As noted, the subject property consists of the assets of a water company. Water companies rarely sell and in some cases, the sales were after a bankruptcy. However, we were able to verify three recent sales of water companies in Illinois. We have presented this data and utilized this approach to support our value estimate via the Cost Approach.
- Finally, we reconciled between the two approaches to a final value conclusion and presented our findings in a summary appraisal format.

### **PROPERTY RIGHTS CONSIDERED**

The interests appraised is the fee simple estate. **Fee Simple Interest**, is defined (The Dictionary of Real Estate Appraisal, The Appraisal Institute, 1993, Third Edition, page 140) as:

"Absolute ownership unencumbered by any other interest or estate subject only to the limitations imposed by the governmental power of taxation, eminent domain, police power, and escheat."

In addition, the subject property has easement rights for the water lines for approximately 100 miles of water lines. These easements typically have a width of 20 feet. In all cases, the easements were donated by the property owner so that water service could be provided to them.

### **EFFECTIVE DATE OF THE OPINION**

The date to which our market value estimate applies is July 7, 2015, the date of our property inspection.

### **DEFINITION OF MARKET VALUE**

For the purpose of this appraisal report, **Market Value** is defined as follows:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer whereby:

- a. buyer and seller are typically motivated;
- b. both parties are well informed or well advised, and acting in what they consider their own best interests;
- c. a reasonable time is allowed for exposure in the open market;
- d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

- 
- e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

**MARKETING PERIOD**

It should be noted that the average days on the market for real estate vary with the location of the property, its price structure, and the marketing of the property. The marketing period for a property such as the subject is likely to be longer than most types of properties. The subject property was constructed for the specific use of the current owner of the subject property. It is anticipated the marketing period for the subject property would be within twelve months.

**EXPOSURE TIME**

In the definition of "Market Value", the reference is made to exposure to the open market which refers to the length of time the subject would have been offered on the market prior to the effective date of the appraisal. The value conclusion presumes a sale as of the date of the appraisal. A reasonable exposure time is estimated to be 12 months or less.

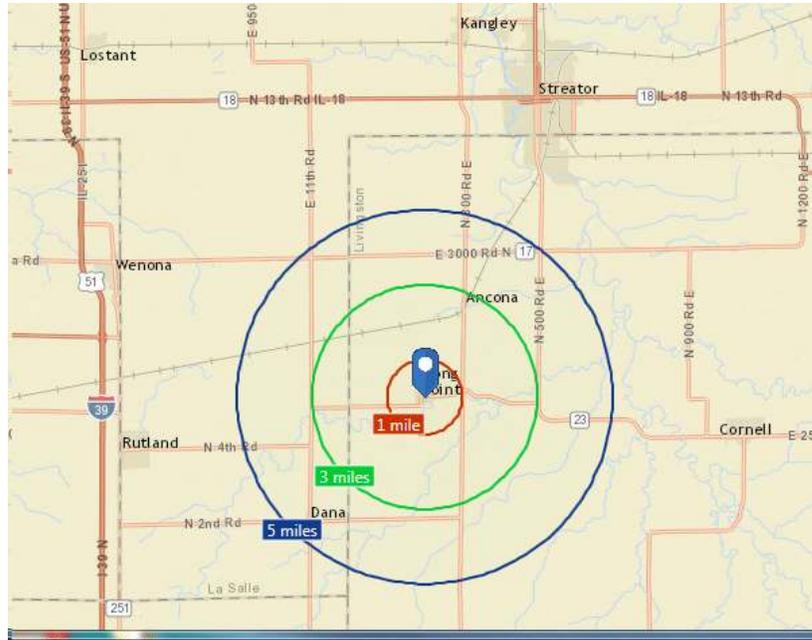
**COMPETENCY PROVISION**

We are aware of the competency provision of the USPAP. The appraisers have personally inspected the subject property as well as researched and analyzed pertinent market information. We am competent to perform this appraisal as we have had experience in completing this type of assignment and have taken all the appropriate steps in order to complete the appraisal competently and in an unbiased manner.

**DESCRIPTIVE SECTION**

**SUBJECT NEIGHBORHOOD DESCRIPTION**

The subject property consists of the assets of the Dana/Long Point/Reading/Ancona Water District (DLP Water Company). We have considered the subject neighborhood to be an approximately five mile radius from Long Point. We have utilized data from the U. S. Census as well as from the Site to do Business Online ([www.stdbonline.com](http://www.stdbonline.com)), which is a private demographic service for basic information regarding the subject neighborhood. Information considered relevant to the subject property is summarized in the following charts and discussions.



***Population Statistics  
DLP Water Company Area  
LaSalle and Livingston Counties, Illinois***

	One-mile radius	Three-mile Radius	Five-mile radius
2000 Population	277	543	1,022
2010 Population	261	522	996
2015 Population	266	533	1,009
Projected 2020 Population	268	537	1,012
2000 - 2010 Avg Annual Growth	-0.59%	-0.39%	-0.26%
2010-2015 Avg Annual Growth	0.36%	0.40%	0.25%
2015 - 2020 Projected Avg Annual Growth	0.15%	0.15%	0.06%

The above data shows virtually no growth in the one-, three- and five mile radius of the subject property. It appears as though there will be no perceivable growth in the subject area for the near term.

The household count in this area has changed from 403 in 2010 to 413 in the current year, a change of 0.47% annually. The five-year projection of households is 417, a change of 0.19% annually from the current year total. Average household size is currently 2.44, as compared to 2.47 in the year 2010. The number of families in the current year is 301 in the specified five mile radius.

Currently 75.5 percent of the 458 housing units in the market area are owner-occupied; 14.6 percent renter occupied and 9.8 percent are vacant. In 2010, there were 449 housing units—76.5 percent were owner occupied, 13.4 percent renter occupied and 10.2 percent vacant. The rate of change in housing units since 2010 is 0.89 percent. The median home value in the market area is \$103,611, compared to a median home value of \$200,006 for the U. S.

Median household income in the area is \$55,343 in the market area which is slightly higher than the national median household income of \$53,217. Median household income is projected to reach \$63,049 per year in five years, compared to \$60,683 for all U.S. households.

In summary, the subject is located in a rural area of North-Central Illinois. Demographic projections indicate that the population will remain the same with no anticipated significant growth in the near term.

**DESCRIPTION OF THE SITE OWNED IN FEE SIMPLE INTEREST**

The only real estate owned by the water company in fee simple interest is the booster pump station site. It is a rectangular parcel of land situated at the northwest intersection of North 575 East Road and E 3000 North Road. The total land area included in this parcel is 1.5 acres, or 65,340 square feet. The site is generally level and at the grade of the frontage roadways. The site has approximately 363 linear feet of frontage along the north side of East 3000 North and approximately 180 linear feet along the west line of North 575 East Road. Surrounding land uses include agricultural and low density residential uses. The plat is provided below.



As noted, additional improvements include approximately 17 miles of 4" and 6" water lines as well as a master meter, and various hydrants, vaults, meters and other ancillary appurtenances utilized for the operation of a water distribution company. Details regarding the quantities of each of these items will be provided in the Replacement Cost New section of the Cost Approach.



View of Booster Pump Station on fee simple land.



View of Booster Pump Station site.