Crystal Clear Water Company

Water Utility System Appraisal Report

Pertinent Dates:

Retrospective Effective Date	June 30, 2015
Field Inspection Date	June 30, 2015
Date of the Appraisal Report	November 30, 2015

Prepared for:
Aqua Illinois, Inc.
Illinois Commerce Commission

Prepared by:
Elizabeth Goodman Schneider, ASA
Goodman Appraisal Consultants, LLC
6260 S Lake Drive #718
Cudahy, WI 53110

Goodman Appraisal Consultants

November 30, 2015

James Bilotta
Director, Corporate Development
Aqua Illinois, Inc.
1000 S Schuyler Avenue
Kankakee, IL 60901

Illinois Commerce Commission
527 East Capital Avenue
Springfield, IL 62701

RE: Crystal Clear Water Company

Goodman Appraisal Consultants, LLC is pleased to provide you with a valuation of the water utility assets of the Crystal Clear Water Company as of a retrospective effective date of June 30, 2015.

This report describes the method of appraisal, contains data gathered in the investigation and explains the analyses used in arriving at the final value opinion. It is prepared in conformance with the Scope of Work. Please refer to this section to understand the complexity and important facts affecting the final value opinion.

The purpose of this appraisal is to develop a fair market value opinion of the water utility assets of the Crystal Clear Water Company. Market Value is defined in *The Dictionary of Real Estate Appraisal*, Fifth Edition, as:

> *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, 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 under conditions whereby:*
> *1. buyer and seller are typically motivated;*
> *2. both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;*
> *3. a reasonable time is allowed for exposure in the open market;*
> *4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*

5. 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.[1]

Goodman Appraisal Consultants' value of easements and parcel number 19-10-151-001 including assemblage is $80,300. Hartman Consultants, LLC provided a valuation of the tangible personal property and intangible property of Crystal Clear Water Company; the value of these assets is $757,000.

Crystal Clear Water Company
Algonquin Township, McHenry County, Illinois

Easement Value	$	15,400
Site Value for PIN 19-10-151-001	$	16,700
Assemblage Value	$	48,200
Value of Land, Easements and Assemblage	**$**	**80,300**
TPP and IP Value per Hartman Consultants	**$**	**757,000**
Value of Crystal Clear Water Company	**$**	**837,300**
Value of Crystal Clear Water Company	**$**	**837,000**

The value of the Crystal Clear Water Company water utility assets is **Eight Hundred Thirty Seven Thousand Dollars ($837,000)**.

It has been a pleasure to serve you. If you have any questions concerning this report or if we may be of further service, please contact us.

Sincerely,

Goodman Appraisal Consultants, LLC

Elizabeth Goodman Schneider, ASA

Illinois Certified General Real Estate Appraiser No. 553-001973
Iowa Certified General Appraiser No. CG02980
Michigan Certified General Real Estate Appraiser No. 1201073697
Minnesota Certified General Real Property Appraiser No. 40232088
Wisconsin Certified General Appraiser No. 1586-010

[1] *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), 59

SCOPE OF WORK

Purpose of the Appraisal

The purpose of the appraisal is to determine the fair market value of the Crystal Clear Water Company system assets if sold in a voluntary arms length transaction between and willing buyer and seller, in fee simple estate interest as of the retrospective effective date, June 30, 2015.

Intended Use of the Appraisal

The function of the appraisal is to assist in a sale transaction.

Client and Intended Users

The client is Aqua Illinois, Inc. The intended users of the appraisal are Aqua Illinois, Inc. and Illinois Commerce Commission

Type of Appraisal

The appraisal is presented in narrative format. Some findings and analyses of the appraiser are summarized in this report. However, the basis of these summaries is included in the appraiser's notes.

Compliance Standards

This appraisal complies with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and meets or exceeds the requirements set forth by Illinois Public Act 98-0213 (PA 0213 originated as House Bill 1379), codified as 220 ILCS 5/9-210.5. The professional engineer involved in the appraisal is Gerald C. Hartman, Illinois P.E. No. 062-053100.

Property Rights Appraised

The property is appraised in fee simple estate.

Market Value Definition

Market Value is defined in *The Dictionary of Real Estate Appraisal*, Fifth Edition, as:

> *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, 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 under conditions whereby:*
> *1. buyer and seller are typically motivated;*
> *2. both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;*
> *3. a reasonable time is allowed for exposure in the open market;*
> *4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*

5. 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.[2]

Pertinent Dates

Field Inspection Date: June 30, 2015

Date of Asset Purchase Agreement: October 1, 2015

Date of the Report: November 30, 2015

Effective Date: June 30, 2015. The appraisal is retrospective with an effective date of June 30, 2015, the field inspection date.

Extraordinary Assumptions

An extraordinary assumption is defined as: *"an assumption directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions."*[3] Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property, or about conditions external to the property such as market conditions or trends, or about the integrity of the data used in an analysis.

No extraordinary assumptions are used in this appraisal.

Hypothetical Conditions

A hypothetical condition is defined as: *"a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis."*[4] Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

No hypothetical conditions are used in this appraisal.

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[2] *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), 59

[3] 2014-2015 USPAP

[4] 2014-2015 USPAP

Competency

USPAP requires the appraiser be competent before the completion of an appraisal assignment. The Competency Rule is as follows:[5]

> *"An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to perform the assignment; or (3) decline or withdraw from the assignment. In all cases, the appraiser must perform competently when completing the assignment. The appraiser must determine, prior to accepting an assignment, that he or she can perform the assignment competently. Competency requires:*
>
> *Being Competent*
> *1. the ability to properly identify the problem to be addressed; and*
> *2. the knowledge and experience to complete the assignment competently; and*
> *3. recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.*
> *If an appraiser determines he or she is not competent prior to accepting an assignment, the appraiser must:*
>
> *Acquiring Competency*
> *1. disclose the lack of knowledge and/or experience to the client before accepting the assignment;*
> *2. take all steps necessary or appropriate to complete the assignment competently; and*
> *3. describe, in the report, the lack of knowledge and/or experience and the steps taken to complete the assignment competently."*

The appraiser declares she is competent to perform this appraisal assignment.

Appraisal Process

- We have reviewed the data provided with the Request for Proposals for the appraisal of the Crystal Clear Water Company.
- On June 30, 2015, Elizabeth Goodman Schneider inspected the subject property.
- Site size was determined using Athena Public Property Search Viewer.
- Public records were reviewed and analyzed.
- Comparable residential land sales were analyzed.
- Only the Sales Comparison Approach is applicable in the appraisal of the real property that is the subject of the Goodman Appraisal Consultants appraisal. The Cost and Income Approaches were not applied because a probable market participant would not look to them to establish the value of vacant land; therefore the Cost and Income Approaches would not accurately mimic buyer calculus.
- Hartman Consultants (HC) prepared a valuation and condition assessment of the Crystal Clear Water Company including an opinion of value of the personal property which will be incorporated into our appraisal. The HC valuation of the personal property considered the Cost, Sales Comparison and Income Approaches to value, and utilized the Cost and Sales Comparison Approaches to value.
- Review system maps and related historical data provided by Aqua Illinois, Inc.

[5] 2014-2015 USPAP Competency Rule

- Conduct interviews with system employees.
- Conduct a field observation of "exposed" appurtenances.
- The appraisal and appraisal report will meet or exceed the requirements set by Illinois Public Act 98-0213 (PA 0213 originated as House Bill 1379), codified as 220 ILCS 5/9-210.5 and will be in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP).

HISTORY OF THE SUBJECT PROPERTY

The subject property is pending sale at a price not to exceed $750,000, based on the following

- Asset Purchase Agreement dated October 1, 2015
- Sale closing within 45 days of final regulatory approvals, on or before March 31, 2017
- Grantor is Crystal Clear Water Company
- Grantee is Aqua Illinois, Inc.
- The property to be sold includes the assets, properties and rights owned and used in connection with the Crystal Clear Water Company water production and distribution systems

SUBJECT PROPERTY

The subject property consists of the Crystal Clear Water Company system assets.

Crystal Clear Water Company provides water utility service to three subdivisions located near the City of Crystal Lake in unincorporated Algonquin Township, McHenry County, Illinois. The subdivisions are Platt-DeMarce Unit 1, Platt-DeMarce Unit 2 and Norhaven Estates Unit 1. There are approximately 293 residential customers.

The property subject to appraisal by Goodman Appraisal Consultants (GAC) includes one parcel of land and utility easements located in Crystal Clear Water Company's service area.

Parcel 19-10-151-001 located in unincorporated Algonquin Township is a 28,829 square foot parcel located at the end of a residential street. The parcel is located in a solely residential neighborhood and is currently commercially used by Crystal Clear Water Company. Located on this parcel are tangible water production and distribution assets; these are separately valued by HC.

Easement sizes within each subdivision are:

Platt DeMarce Unit 1:	53,550 square feet
Platt DeMarce Unit 2:	56,401 square feet
Norhaven Estates Unit 1:	37,175 square feet

Valuation of the tangible personal property and intangible water system assets was performed by HC and was confirmed by Gerald C Hartman, P.E., BCEE, ASA, Registered Professional Engineer No. 062-053100 in Illinois. The HC report is included within Appendix B of this report.

EXPOSURE AND MARKETING TIME

Exposure time and marketing time are estimated at 6 to 12 months for the subject property parcel.

HIGHEST AND BEST USE

Highest and Best Use is defined by the Appraisal Institute, in *The Dictionary of Real Estate Appraisal*, Fifth Edition, 2010, published by the Appraisal Institute, as:

> *"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."*

As indicated by the above definition, the Highest and Best Use of any parcel of land relates to the needs or demands of potential users. It is a consideration which is made to determine what the maximum desirable potential of the property is or could be. Historical data relative to a site may not reflect the future potential of the property, but can act as an aid in analyzing past trends and thus help in determining the present or future usefulness of the property. Determination of the potential or future benefits from property ownership is the objective of most appraisal assignments. After the potential or the Highest and Best Use of the property has been determined, data providing support for the valuation can be reconciled to provide the basis for a logical value conclusion.

This appraisal analysis takes into account considerations of the economic trends for the subject market area and community, the proximity of amenities, financial capabilities of the typical buyers, etc., and considers limitations of these items. In determining the Highest and Best Use as if Vacant, there are four basic criteria. The use must be legally permissible, physically possible, financially feasible and maximally productive. Of the financially feasible uses, the maximally productive use is that which will bring the greatest value or return to the land.

Highest and Best Use, As Vacant

Highest and Best Use of land or a site as though vacant is defined by the Appraisal Institute, in *The Dictionary of Real Estate Appraisal*, Fifth Edition, 2010, published by the Appraisal Institute, as:

> *"Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements."*

As stated above, this use must be legally permissible, physically possible, and financially feasible. The use that maximizes the return to the land under all of these tests will be the maximally productive, and the Highest and Best Use as Vacant.

Legally Permissible - The subject site is located within unincorporated Algonquin Township, McHenry County in an area of are single-family residences. Based upon the surrounding land uses and development trends occurring in the area, a residential use seems to be the most likely use for the site.

Physically Possible - The size, shape and topographical features of the parcel is considered sufficient for development of a residential use.

Financially Feasible - The long-term feasibility of the subject is average. Based on this, a residential use appears to be financially feasible venture.

Maximally Productive - Considering a maximally productive use, a residential use maximizing the development potential of the parcel and based on that which is legally permissible and supported by the market appears reasonable based off of the success of properties in the subject's area.

Conclusion - Development of the site to a residential use is a legally permissible, physically possible, financially feasible and maximally productive use.

VALUATION METHODOLOGY

The valuation of any parcel of real estate is derived principally through three basic approaches to value. They are the Cost, Sales Comparison, and Income Approaches. From the indications of these analyses and the weight that is accorded to each, a value opinion is reached based upon expert judgment within the outline of the appraisal process. The methodology involving the appraisal of the subject includes the following:

Cost Approach

The Cost Approach is based on the recognition that market participants relate value to cost. The value of a property is the costs to develop a similar property, once the costs are adjusted for all forms of applicable depreciation.

Developing a Cost Approach involves four major steps.

1. Develop an opinion of the site as though vacant and available for development to its highest and best use.
2. Estimate all costs to replace or reproduce the existing improvements, including direct costs, indirect costs, and entrepreneurial incentive.
3. Estimate all forms of depreciation evident in the improvements.
4. Subtract the total estimated depreciation from the total estimated reproduction or replacement costs and add the site value opinion to derive and indication of value from the cost approach.

Sales Comparison Approach

The Sales Comparison Approach is based upon the principle of substitution; that is, when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property.

Developing a Sales Comparison Approach involves four major steps.

1. Research the market and find information about comparable property sales.
2. Analyze the comparable sales to derive market-supported adjustments that reflect the significant differences between the sales and the subject.
3. Apply the adjustments to the comparable sale or unit prices.
4. Reconcile the adjusted sale or unit prices into an indication of value for the subject.

Income Approach

The Income Approach is based on the recognition that the value of a property is related to its income-generating potential. Based on the subject data, a direct capitalization approach is applicable in the valuation of this type of property..

Developing an Income Approach involves four major steps.

1. Determine the potential gross income of a property based upon either contract rental rates or market rental rates, based upon rental rates of comparable properties.
2. Estimate the stabilized vacancy and collection loss based upon market factors and apply it to the subject's potential gross income to yield an effective gross income.
3. Analyze the property's expense and reconcile them with typical expenses of properties in the market. Deduct applicable operating expenses from the effective gross income to arrive at the net operating income of the property.
4. Estimate an appropriate capitalization rate for the subject property based upon market data, surveys, and the band-of-investment method and apply it to the net operating income to arrive at the estimated value of the subject.

Conclusion

Only the Sales Comparison Approach was analyzed in the appraisal of the real property and easements that are the subject of the GAC appraisal. Although the approaches are inter-related, the property type and use determines which approach or approaches are most appropriate. In the case of the subject property, a probable market participant would not look to the Cost or Income Approaches to establish the value of vacant land.

HC performed a valuation and condition assessment of the tangible personal property and intangible water utility assets including an opinion of value. The HC valuation utilized the Cost and Sales Comparison Approaches to value. The HC value conclusion is incorporated into our appraisal within the Reconciliation.

SALES COMPARISON APPROACH

Five comparable vacant residential land sales from within Algonquin Township were analyzed to arrive at the value opinion of the parcel via the Sales Comparison Approach.

Parcel Number	Address	Sale Date	Sale Price	Site Size (sf)	Sale Price per sf
19-13-176-013	Ada St, Cary	1/17/2015	$ 10,000	16,126	$ 0.62
19-29-202-001	Wander Way, Lake in the Hills	3/26/2015	$ 12,000	9,754	$ 1.23
19-06-227-028	60 S Oriole Tr, Crystal Lake	09/12/14	$ 21,000	17,138	$ 1.23
20-17-176-072	719 E Main St, Cary	09/12/14	$ 15,000	15,180	$ 0.99
19-20-426-019	1202 Poplar St, Lake in the Hills	01/02/14	$ 8,000	9,795	$ 0.82

A market conditions adjustment of 0.65% per month or 7.80% per year was determined using 2014 and 2015 sales of 16 improved residential properties located in McHenry, Nunda and Algonquin Townships. No sales of vacant parcels were determined to be appropriate for this analysis.

Parcel Number	Sale Date	Sale Price	Township	Days Between Sales	Change in Sale Price ($)	Change in Sale Price (%)	Change in Sale Price (% per 30 Days)
09-13-102-011	5/29/2015	$ 372,000	McHenry	211	$ 11,430	3.17%	0.45%
09-13-102-011	10/30/14	$ 360,570	McHenry				
09-14-178-013	4/21/2015	$ 195,000	McHenry	319	$ 15,100	8.39%	0.79%
09-14-178-013	06/06/14	$ 179,900	McHenry				
09-18-255-023	8/27/2015	$ 186,500	McHenry	470	$ 13,500	7.80%	0.50%
09-18-255-023	05/14/14	$ 173,000	McHenry				
09-20-227-002	6/12/2015	$ 335,000	McHenry	437	$ 15,000	4.69%	0.32%
09-20-227-002	04/01/14	$ 320,000	McHenry				
09-26-231-033	8/20/2015	$ 110,000	McHenry	555	$ -	0.00%	0.00%
09-26-231-033	02/11/14	$ 110,000	McHenry				
09-27-352-002	7/17/2015	$ 178,000	McHenry	494	$ 28,000	18.67%	1.13%
09-27-352-002	03/10/14	$ 150,000	McHenry				
09-30-176-004	8/1/2015	$ 387,500	McHenry	468	$ 10,500	2.79%	0.18%
09-30-176-004	04/20/14	$ 377,000	McHenry				
15-32-252-010	3/30/2015	$ 296,000	Nunda	262	$ 26,000	9.63%	1.10%
15-32-252-010	07/11/14	$ 270,000	Nunda				
19-08-376-018	7/20/2015	$ 180,000	Algonquin	413	$ 38,000	26.76%	1.94%
19-08-376-018	06/02/14	$ 142,000	Algonquin				

Parcel Number	Sale Date	Sale Price	Township	Days Between Sales	Change in Sale Price ($)	Change in Sale Price (%)	Change in Sale Price (% per 30 Days)
19-08-456-018	5/28/2015	$ 225,000	Algonquin	454	$ 32,000	16.58%	1.10%
19-08-456-018	02/28/14	$ 193,000	Algonquin				
19-13-480-037	7/29/2015	$ 145,000	Algonquin	386	$ 10,000	7.41%	0.58%
19-13-480-037	07/08/14	$ 135,000	Algonquin				
19-14-102-006	5/18/2015	$ 345,000	Algonquin	247	$ -	0.00%	0.00%
19-14-102-006	09/13/14	$ 345,000	Algonquin				
19-29-276-004	8/4/2015	$ 251,000	Algonquin	305	$ 35,000	16.20%	1.59%
19-29-276-004	10/03/14	$ 216,000	Algonquin				
19-35-376-009	5/6/2015	$ 287,500	Algonquin	42	$ 2,500	0.88%	0.63%
19-35-376-009	3/25/2015	$ 285,000	Algonquin				
20-06-452-014	7/17/2015	$ 300,000	Algonquin	358	$ 20,000	7.14%	0.60%
20-06-452-014	07/24/14	$ 280,000	Algonquin				
20-19-106-013	3/18/2015	$ 133,500	Algonquin	427	$ 4,600	3.57%	0.25%
20-19-106-013	01/15/14	$ 128,900	Algonquin				
						Minimum	0.00%
						Maximum	1.94%
						Median	0.59%
						Mean	0.70%
						Market Conditions Adjustment (per month)	**0.65%**

Market Conditions

A market conditions adjustment of 0.65% per month was applied to the comparable residential land sales.

The land value after adjustment for market conditions is $1.05 per square foot, calculated as follows:

Parcel Number	Address	Sale Date	Sale Price per sf	Days Since Sale	Date of Sale Adj (%)	Adj Sale Price per sf
19-13-176-013	Ada St, Cary	1/17/2015	$ 0.62	164	3.55%	$ 0.64
19-29-202-001	Wander Way, Lake in the Hills	3/26/2015	$ 1.23	96	2.08%	$ 1.26
19-06-227-028	60 S Oriole Tr, Crystal Lake	09/12/14	$ 1.23	291	6.31%	$ 1.30
20-17-176-072	719 E Main St, Cary	09/12/14	$ 0.99	291	6.31%	$ 1.05
19-20-426-019	1202 Poplar St, Lake in the Hills	01/02/14	$ 0.82	544	11.79%	$ 0.91
		Minimum	$ 0.62			$ 0.64
		Maximum	$ 1.23			$ 1.30
		Median	$ 0.99			$ 1.05
		Mean	$ 0.98			$ 1.03
					Land Value per sf	**$ 1.05**

Parcel 19-10-151-001

Access

The subject property parcel is located at the end of a dead end street. Frontage available for access to the subject property is limited in comparison to the comparable residential land sales. Therefore a negative 25% adjustment was applied to the land value concluded above.

Site Size

This adjustment reflects the differences in price relative to the size of the subject. Larger parcels tend to sell for less per square foot than smaller parcels. The comparable residential land sales are smaller in size. Therefore a negative 20% adjustment was applied to the land value concluded above.

The concluded land value for Parcel 19-10-151-001 is $0.58 per square foot.

Value of Parcel with PIN 19-10-151-001 Located In Algonquin Township, McHenry County, Illinois

Concluded Land Value	$ 1.05
Adjustment for Access	-25%
Adjustment for Site Size	-20%
Adjusted Land Value	$ 0.58
Site Size per McHenry County	28,829
Site Value	$ 16,721
Site Value, Rounded	**$ 16,700**

The value opinion of Parcel 19-10-151-001 via the Sales Comparison Approach in fee simple estate is **Sixteen Thousand Seven Hundred Dollars ($16,700).**

Easements

The Appraisal of Real Estate states: “An easement is an interest in real property that transfers use, but not ownership, of a portion of an owner’s property. Easements usually permit a specific portion of a property to be used for identified purposes, such as access to an adjoining property or as the location of a certain underground utility. Although surface easements are the most common, subterranean and overhead easements are used for public utilities, fiber-optic cables, subways, and bridges…

Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation.[6]

The total square footage of the residential easement land areas was obtained from plat maps provided by McHenry County Recorder's Office. Easement size is summarized below by subdivision.

Easement Size (sf)	
Platt De Marce Unit 1	53,550
Platt De Marce Unit 2	56,401
Norhaven Estates Unit 1	37,175
Total Easement Size (sf)	**147,126**

The total easement size of 147,126 square feet reflects easements already in place. Therefore the value of the easements is a fraction of the land value calculated above. The easement value reflects the value of each easement on an individual basis. A 10% factor is applied to the land value of $1.05 per square foot resulting in an easement value of $15,400.

Total Easement Size (sf)		**147,126**
Land Value psf	$ 1.05	
Land Value of Easement Size (sf)		$ 154,482
Easement Value (%)	10%	
Easement Value		$ 15,448
Easement Value (rounded)		**$ 15,400**

Assemblage / Plottage

The easements and Parcel 19-10-151-001 are integral parts of the water utility system and contribute value to Crystal Clear Water Company. Because the site and easements are integral to continued operation of Crystal Clear, there is an additional cost of acquisition for these items.

In assemblage, two or more parcels of real estate are combined into one parcel. The higher value, known as *plottage value*, created for the assembled parcel is greater than the separate value of the individual parcels.[7] Assemblage is the combining of two or more parcels, usually but not necessarily contiguous,

[6] *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), 75

[7] *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), 76

into one ownership or use; the process that creates plottage value."[8] Plottage is the increment of value created when two or more sites are combined to produce greater utility.[9]

Based on relevant literature and public records available to the appraiser at the time of this appraisal, an appropriate assemblage factor for the subject property is in the range of 0.50 and 2.50. For the subject property, an assemblage factor of 1.50 is applied to the value of the easements and Parcel 19-10-151-001.

Crystal Clear Water Company
Algonquin Township, McHenry County, Illinois

Easement Value		$	15,400
Site Value for PIN 19-10-151-001		$	16,700
Subtotal Easement and Land Value		**$**	**32,100**
Plottage/Assemblage Factor	1.50		
Plottage/Assemblage Value		$	48,150
Plottage/Assemblage Value (rounded)		**$**	**48,200**
Value of Land and Easements including Plottage/Assemblage		**$**	**80,300**

Assemblage contributes $48,200 to the value of Crystal Clear Water Company.

The value opinion of Parcel 19-10-151-001 and easements including plottage value, via the Sales Comparison Approach in fee simple estate, is **Eighty Thousand Three Hundred Dollars ($80,300).**

[8] *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), 199

[9] *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), 199

RECONCILIATION AND FINAL VALUE OPINION

In previous sections of this report, the subject property was described and analyzed.

The purpose of this appraisal was to develop a fair market value opinion of the subject property's easements and Parcel 19-10-151-001. In this appraisal, the appraiser valued the land parcel in fee simple estate. Only the Sales Comparison Approach was utilized in valuing the land, as discussed previously. The value of the easements and Parcel 19-10-151-001 including plottage value, in fee simple estate interest as of the retrospective effective date of June 30, 2015, is $80,300.

Valuation of additional water utility assets was included within the scope of work requested of the appraiser by Aqua Illinois, Inc. Hartman Consultants performed a valuation and condition assessment of the Crystal Clear Water Company tangible personal property and intangible assets. The Hartman Consultants value opinion of $757,000 will be added to the appraiser's land and easement value. A confirmation of value was provided by Gerald C Hartman, P.E. The appraiser reviewed the Hartman Consultants appraisal and determined it reasonably reflects the value of the assets as described in their report. I concur with the Crystal Clear Water Company tangible personal property and intangible system assets values as presented in the Hartman Consultants report.

Crystal Clear Water Company
Algonquin Township, McHenry County, Illinois

Easement Value	$	15,400
Site Value for PIN 19-10-151-001	$	16,700
Assemblage Value	$	48,200
Value of Land, Easements and Assemblage	**$**	**80,300**
TPP and IP Value per Hartman Consultants	**$**	**757,000**
Value of Crystal Clear Water Company	**$**	**837,300**
Value of Crystal Clear Water Company	**$**	**837,000**

The value of the Crystal Clear Water Company water system assets, including land and easements, as of the retrospective effective date of June 30, 2015 is **Eight Hundred Thirty Seven Thousand Dollars ($837,000)**.

CONTINGENT AND LIMITING CONDITIONS

The certification of the appraiser and conclusions of value contained herein are subject to the following conditions and to such other specific and limiting conditions as are set forth by the appraiser in the report.

- This appraisal report is intended to comply with the general reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP). This report contains only a synopsis of the data, opinions and reasoning used by the appraisers in concluding the market value. Additional information is retained within the appraisers' file.
- The appraisers assume no responsibility for legal matters affecting the property appraised or the title thereto, nor do the appraisers render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
- Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraisers have made no survey of the property.
- The appraisers are not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made. Therefore, a fee of $250.00 per hour per appraiser is to be paid by you for such appearances and the preparation necessitated thereby.
- Any distribution of valuation in the report between land and improvements applies only under the existing program of utilization.
- The appraisers assume there are no hidden or unapparent conditions of the property subsoil or structures that would render it more or less valuable. The appraisers assume no responsibility for such conditions, or for engineering which might be required to discover such factors.
- Information, estimates and opinions furnished to the appraisers and contained in the report, were obtained from sources considered reliable and believed true and correct. However, the appraisers assume no responsibility for accuracy of such items furnished.
- The Appraisal Institute governs disclosure of contents in this appraisal report by by-laws and regulations.
- This report assumes that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this report.
- It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental, private entity or organization have been or can be obtained or renewed for any use on which the value conclusions contained in this report are based.
- The appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous wastes and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. Unless otherwise stated in this report, the appraisers' value conclusion is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of a routine observation made during the appraisal process.

CERTIFICATION

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

The statements of fact contained in this report are true and correct.

The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this appraisal report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this appraisal report and no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this appraisal 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 on an action or event resulting from the analyses, opinions, or conclusions in this appraisal report or from its use.

My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favor the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal report.

My analyses, opinions, and conclusions were developed and this appraisal report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice* and meets or exceeds the requirements set forth by Illinois Public Act 98-0213 (PA 0213 originated as House Bill 1379), codified as 220 ILCS 5/9-210.5.

Elizabeth Goodman Schneider made a personal inspection of the property that is the subject of this appraisal report on June 30, 2015.

No one provided significant real property appraisal assistance to the person signing this certification.

My engagement for this assignment, and my conclusions as well as other opinions expressed herein are not based on a required minimum value, a specific value, or approval of a loan.

Elizabeth Goodman Schneider has performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this appraisal report within the past three-year period immediately preceding acceptance of this assignment.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, Elizabeth Goodman Schneider has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

As of the date of this report, Elizabeth Goodman Schneider has completed the continuing education programs of the State of Illinois and the State of Wisconsin.

In the State of Michigan, appraisers are required to be licensed and are regulated by the Michigan Department of Labor & Economic Growth, P.O. Box 30018, Lansing, MI 48909. Elizabeth Goodman Schneider is Certified General Real Estate Appraiser #1201073697.

All individuals who participated in the preparation of this report and who are Senior Members of the American Society of Appraisers are recertified as required by the mandatory recertification as set out in the constitution by-laws and administrative rules of the American Society of Appraisers.

Elizabeth Goodman Schneider, ASA

November 30, 2015
Date of Appraisal Report

Illinois Certified General Real Estate Appraiser No. 553-001973
Iowa Certified General Appraiser No. CG02980
Michigan Certified General Real Estate Appraiser No. 1201073697
Minnesota Certified General Real Property Appraiser No. 40232088
Wisconsin Certified General Appraiser No. 1586-010

APPENDIX

Appendix:

A – Subject Property Information

B – Hartman Consultants Valuation Report

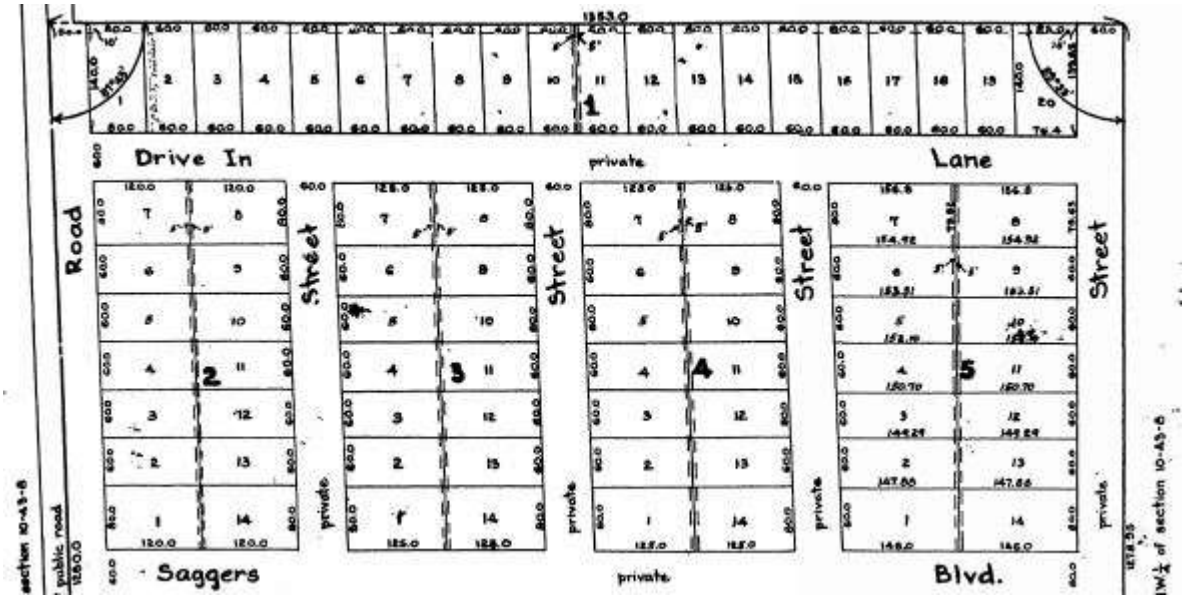
C – Fully Executed Purchase and Sale Agreement

D – Appraiser Qualifications

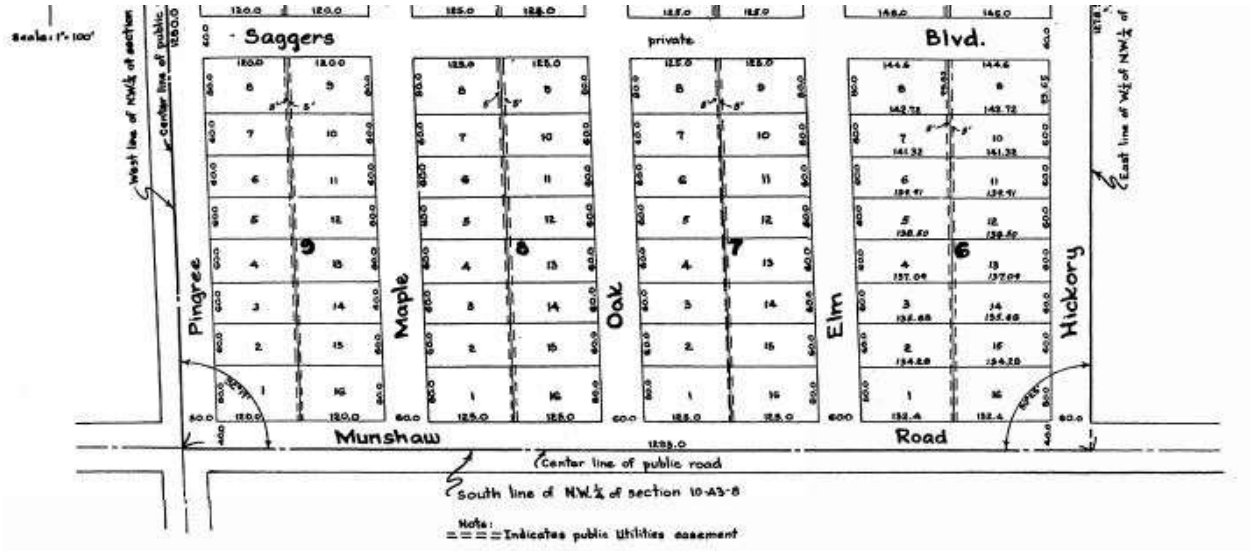
APPENDIX A

Plat map of Platt- DeMarce Unit 1

Top half of plat map:



Bottom half of plat map:

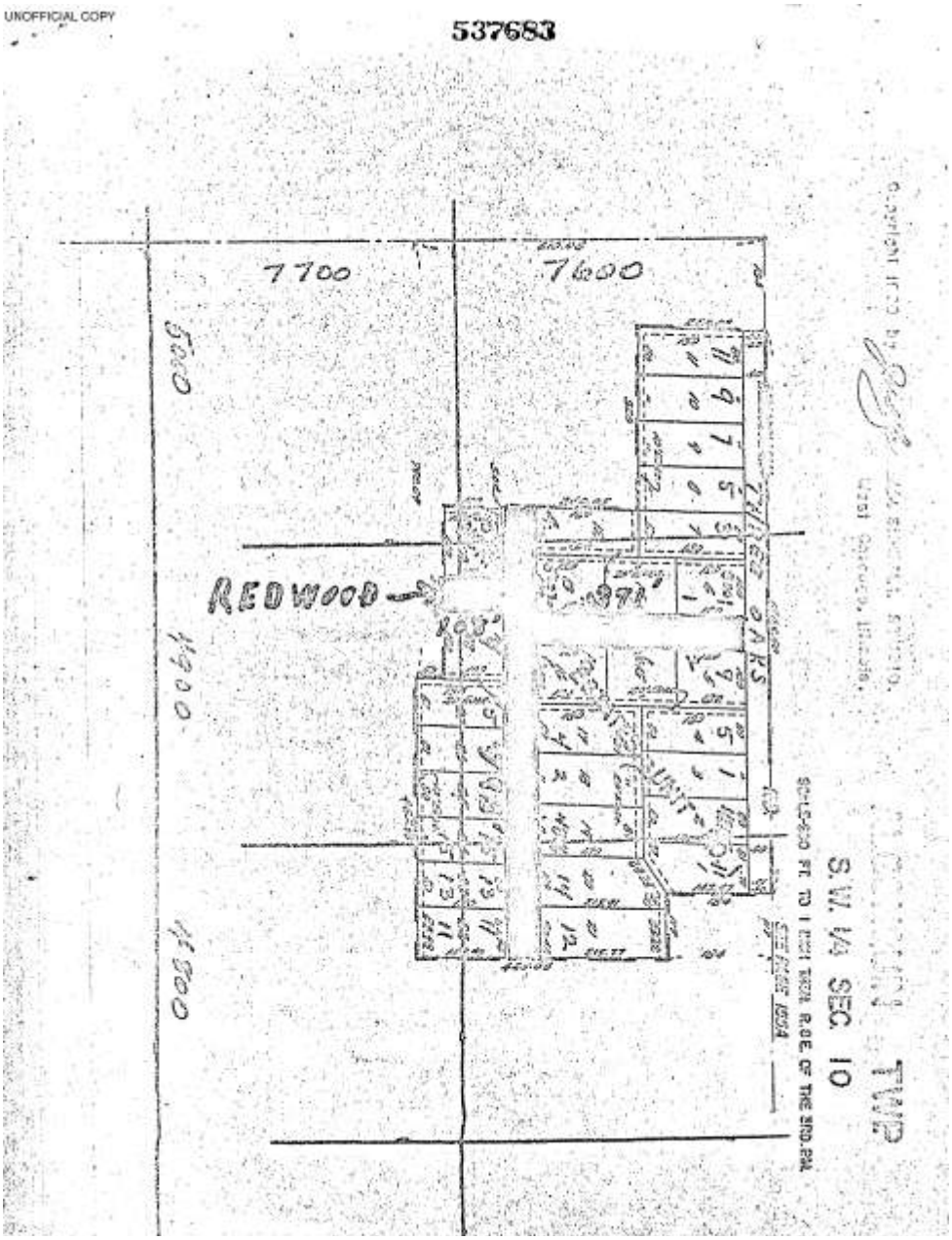


Plat map of Platt-DeMarce Unit 2

Left side of plat map:

Right side of plat map:

Plat Map of Norhaven Estates Unit 1



Parcel 19-10-151-001

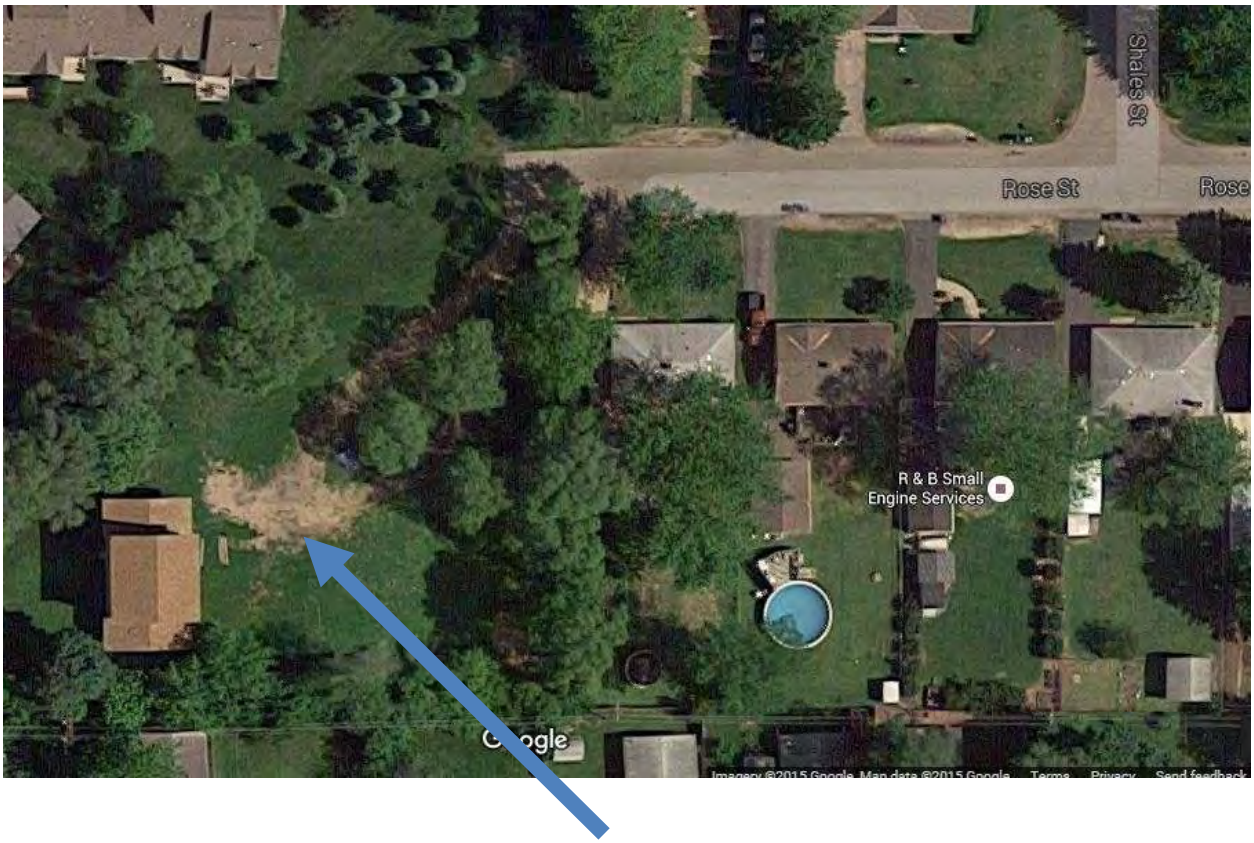
Per McHenry County GIS, the legal description is as follows:

DOC DR466P639

PT NW1/4 NW1/4

The site size of 28,811.63 square feet shown above is a calculation using the measuring tool on the Athena website. Site size used in the appraisal is 28,829.23 square feet as indicated on the McHenry County website.

Aerial View of Parcel 19-10-151-001



Parcel 19-10-151-001

Subject Property Inspection - June 30, 2015

APPENDIX B

Crystal Clear Water Company

Water System

Utility TPP and IP Appraisal

HC # 14100.04

Date of Valuation – September 17, 2015

Date of Report – November, 2015

Prepared By: Hartman Consultants, LLC

Prepared For: Goodman Appraisal Consultants, LLC

Hartman Consultants, LLC
www.hartmanconsultant.com

November 17, 2015
HC #14100.04

Ms. Elizabeth Goodman Schneider, ASA
Goodman Appraisal Consultants, LLC
6260 S. Lake Drive #718
Cudahy, WI 53110

RE: Partial Utility TPP and IP Appraisal of Crystal Clear Water Company – Water System

Dear Ms. Goodman Schneider:

Presented herein is the Partial Utility Appraisal Report (Report) of the tangible personal property (TPP) and intangible property (IP) of the Crystal Clear Water Company located in McHenry County, Illinois. This Partial Utility Appraisal Report with the back-up analyses and support information to be found in HC's files under the above project number.

The Client is the appraiser for AQUA who is intending to acquire the Water System as a whole, in other words, the water assets are intended to be acquired together, yet the tangible personal property (TPP) and intangible property (IP) are presented individually. As such, the TPP and IP opinions of value presented herein are of the water system.

As a precedent for developing the opinion of value, the water systems were evaluated using approaches which are recognized throughout the industry for consideration by the Uniform Standards of Professional Appraisal Practice (2014 – 2015 edition) including:

- Replacement Cost New Less Depreciation;
- Income; and
- Comparable Sales

In each valuation approach, considerations and adjustments are made which are typically conducted/considered/performed in the determination of the fair market value. The applicable adjustments focus on providing existing and projected probable use of the assets. Each of the defined valuation approaches results in a separate distinct finding, which is reconciled and considered to formulate an opinion of value each utility system.

2107 Water Key Dr. • Windermere, FL 34786
Tel. 407-341-0970 • Fax 407-909-9882 • gerry@hartmanconsultant.com

The cost approach was weighted at 90%, the income approach at 0%, and the comparable sales approach at 10% for this special purpose properties. The income approach was given a 0% weight due to the historic regulatory (ICC) practice of original cost based rates as discussed in **Section 5** of the Report. The cost approach is weighted at 90% due to the market consideration that would be given this type of transaction. The comparable sales approach is weighted at 10% for this approach because of the unique characteristics of the potential transaction do not necessarily reflect the market as a whole.

The opinion of value presents my opinion of the amount of money a knowledgeable buyer would pay and a knowledgeable seller would accept, both willing to enter into a transaction with the system in its present and probable use. Utilities are special properties with distinct characteristics. Each System, is in effect, a monopoly serving the customers. These properties represent the essential public utility of the area.

The results of the calculations and analyses performed in accordance with each applicable approach are detailed throughout the body of the Report and summarized as follows:

TPP and IP Valuation Approach	**Crystal Clear Water Company (Amount)**
Cost	$769,000
Income	N/A [1]
Comparable Sales	$653,000

Note: [1] Income approach not applicable as described in **Section 5** of the Report.

Considering the results provided above, in conjunction with my prior experience and professional judgment, the opinion of the TPP and IP value of the Crystal Clear Water Company (water system) as of September 17, 2015 is:

$757,000.00

(Seven Hundred and Fifty Seven Thousand Dollars)

The respective opinion of TPP and IP value for the water system is representative of the fair market value (FMV) of the systems without the additional consideration of the Real Property (RP) which is to be accomplished by a real estate appraiser. As discussed above, the FMV is arrived at using approaches which are recognized throughout the industry as required for consideration by the Uniform Standards of Professional Appraisal Practice (2014 – 2015). HC understands that AQUA is interested in

understanding the FMV, therefore another component to value, the real property must be determined by the client.

We appreciate this opportunity to provide the technical expertise you desire. Should you have questions or need further assistance, please feel free to call.

Very truly yours,

Hartman Consultants, LLC

4/19/2015

Gerald C. Hartman
Illinois P.E. No. 062-053100
ASA #7542
BCEE #88-10034

GERALD CHARLES HARTMAN
062-053100
REGISTERED
PROFESSIONAL
ENGINEER
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AMERICAN SOCIETY OF APPRAISERS
GERALD C. HARTMAN
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ACCREDITED SENIOR APPRAISER

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