City of Eureka Overview
(Continued)

According to U.S. Census Bureau data, the population in Eureka has experienced a slight increase since 2010 which is generally consistent with the overall change in population for St. Louis County. Additional demographic data pertaining to Eureka is below.

POPULATION		HOUSING	
Total Population	11,189	Total Housing Units	3,880 (100%)
Population in Households	10,983	Owner Occupied HU	3,121 (80.4%)
Population in Familes	9,850	Renter Occupied HU	686 (17.7%)
Population in Group Qrtrs	206	Vacant Housing Units	73 (1.9%)
Population Density	1,058	Median Home Value	$298,795
Diversity Index[1]	17	Housing Affordability Index[2]	165

INCOME		HOUSEHOLDS	
Median Household Income	$100,972	Total Households	3,807
Average Household Income	$126,941	Average Household Size	2.88
Per Capita Income	$43,538	Family Households	2,999
Wealth Index[3]	181	Average Family Size	3

GROWTH RATE / YEAR	2010-2019	2019-2024
Population	1.02%	0.7%
Households	0.99%	0.7%
Families	0.91%	0.65%
Median Household Income		2.42%
Per Capita Income		2.76%

Eureka, MO - Peer Comparisons by Rank and Percentile

The table below compares Eureka to the other 1,034 incorporated cities, towns and CDPs in Missouri by rank and percentile using July 1, 2019 data. The location Ranked # 1 has the highest value. A location that ranks higher than 75% of its peers would be in the 75th percentile of the peer group.

Variable Description	Rank	Percentile
Total Population	# 80	92nd
Population Density	# 329	68th
Diversity Index	# 357	66th
Median Household Income	# 31	97th
Per Capita Income	# 44	96th

City of Eureka Overview
(Continued)

Housing Market

According to State of the Cities Data Systems (https://socds.huduser.gov/permits/), the City of Eureka has issued approximately 126 building permits for new construction of single-family and multiple-family residences in 2019 which reflects a significant increase from recent years.

While the number of permits increased in Eureka by 1045% from 2015 to 2019, the number of permits in the county as a whole has decreased by 45% during the same time period (see exhibit below).

ST. LOUIS COUNTY
BUILDING PERMITS

	2019	*2018*	*2017*	*2016*	*2015*
Single-Family	826	905	1165	937	924
Multiple-Family	196	247	310	722	933
Total	1022	1152	1475	1659	1857

CITY OF EUREKA
BUILDING PERMITS

	2019	*2018*	*2017*	*2016*	*2015*
Single-Family	126	81	93	26	11
Multiple-Family	0	0	0	0	0
Total	126	81	93	26	11

Source: socds.huduser.gov/permits

City of Eureka Overview
(Continued)

Conclusion

In summary, the area along the Interstate 44 corridor is becoming increasingly favorable for development. The St. Louis Metropolitan development trends have continued westward and are beginning to reach outlying areas including Franklin County. A majority of the development has occurred along the interstate which provides easy access to manufacturing and distribution facilities. The overall outlook for the area is one of relative stability with little to modest growth taking place in the foreseeable future.

Description of the Subject Property Parcels

The subject property assets consist of the real property rights and infrastructure system associated with the water delivery and wastewater collection systems for the City of Eureka. There are 10 parcels of real estate that comprise the water delivery system and 11 parcels of real estate that comprise the wastewater collection system. The exhibit below summarizes the parcels and is followed by a detailed description of each. For a description and list of the other assets that are associated with the subject property systems, please see the attached Flinn Engineering report.

SUMMARY OF PARCELS INCLUDED WITH VALUATION

FEE OWNED & PRESUMED PERMANENT EASEMENTS

Property Identification	Property Common Address	Existing Use and Improvements	County Assessor Locator Number	Property Owner per County Records	Approximate Parcel Size
Water - 1	765 Niehoff Drive	Tank and Booster Pump	30V330062	City of Eureka	0.24 Acres
Water - 2	109 Broack Road	Tank and Booster Pump	30V240192	City of Eureka	1.97 Acres
Water - 3	489 Hill Drive	Well #5	29V220521	Drewel Park/City of Eureka	16 Acres
Water - 4	503 Vista Hills Court	Tank, Well #6, Booster Pump	29W220311	City of Eureka	0.69 Acres
Water - 5	1414 W. Main Street	Well #10	29W330188	City of Eureka	0.36 Acres
Water - 6	533 Howerton Lane	Well #1	29W520246	City of Eureka	0.14 Acres
Water - 7	755 Brewster Road	Well #9, Tank, Booster Pump	28W220011	City of Eureka	0.89 Acres
Water - 8	687 Viola Lane	Well #8, Two Tanks	29V430993	City of Eureka	1.41 Acres
Water - 9	360 Forby Road	Tank and Booster Pump	28V220089	City of Eureka	6.5 Acres
Water - 10	4589 Emerald View Court	Booster Pump	28V520280	Emerald Forest Trustees	13.42 Acres
Wastewater - 1	71 and 99 Augustine Road	Wastewater Treatment Plant	29U130045 29U110113 29U110124 29U110146	City of Eureka	38.16 Acres
Wastewater - 2	15 Truitt Drive	Lift Station	29V340522	Marschuetz Properties LLC	3.12 Acres
Wastewater - 3	25 Williams Road	Lift Station	29U140055	City of Eureka	19.51 Acres
Wastewater - 4	Highway 109 Street	Lift Station	28U110190	City of Eureka (see note below)	n/a
Wastewater - 5	East North Street	Lift Station	29V630753	James and Judy Roney	0.79 Acres
Wastewater - 6	7 and 9 West North Street	Lift Station	29V630803 29V631172	Paul and Judith Costello William and Bobbie Roberts	7.08 Acres 0.40 Acres
Wastewater - 7	16872 Enderbush Lane	Lift Station	29V531391	Enderbush Estates Trustees	0.17 Acres
Wastewater - 8	Hilltop Village Center Drive	Lift Station	29V520270	Ridgemoor Investments Inc.	0.99 Acres
Wastewater - 9	17435 Wyman Ridge Drive	Lift Station	28W220572	The Arbors at Rockwood Homes	3.3 Acres
Wastewater - 10	18475 U.S. Hwy 66 Street	Lift Station	29X210078	Show-Me Outdoor Dev. Inc.	16.74 Acres
Wastewater - 11	Cahoon Drive	Lift Station	public right of way	City of Eureka	n/a

Notes:

For Parcel Water - 3, the presumed permanent easement area for the well site is 65' x 100'
For Parcel Water - 10, the presumed permanent easement area for the booster pump is 5,000 square feet
For Parcel Wastewater - 2, the presumed permanent easement area for the lift station is 10' x 10'
For Parcel Wastewater - 3, the presumed permanent easement area for the lift station is 10' x 10'
For Parcel Wastewater - 4, the presumed permanent easement area for the lift station is 10' x 230'
For Parcel Wastewater - 4, the lift station is in public right-of-way, but accessed from private property (Deerpath Community Association, Inc.)
For Parcel Wastewater - 5, the presumed permanent easement area for the lift station is 10' x 10'
For Parcel Wastewater - 5, access assumes a legal crossing of two contiguous tracts (29V63073 and 29V630803)
For Parcel Wastewater - 6, the presumed permanent easement area for the lift station is 10' x 10'
For Parcel Wastewater - 6, access assumes a legal crossing of two contiguous tracts
For Parcel Wastewater - 7, the presumed permanent easement area for the lift station is 1,200 square feet
For Parcel Wastewater - 8, the presumed permanent easement area for the lift station is 650 square feet
For Parcel Wastewater - 9, the presumed permanent easement area for the lift station is 35' x 40'
For Parcel Wastewater - 10, the presumed permanent easement area for the lift station is 7,000 square feet
For Parcel Wastewater - 11, the presumed permanent easement area for the lift station is 10' x 10'

Description of the Subject Property Parcels
(Continued)

Unless otherwise noted, all of the following properties are owned by the City of Eureka.

(Water-1) 765 Niehoff Drive – Tank and Booster Site

This site is located on the northeast side of Niehoff Drive, just south of its intersection with Highway 109 Street, in Eureka, Missouri. The St. Louis County Assessor identifies this site by Locator Number 30V330062 and calculates it to be 0.24 acres in size. The improvements are secured by a three strand barbed wire chain fence with a height of six feet approximately 350 lineal feet in length. The site is improved with a 500,000 gallon metal standpipe tank that was reportedly installed in 2007 and a one story prefabricated pump shed, on a slab foundation. The storage shed contains approximately 160 square feet of gross building area, is estimated to have been installed in 2007, and is considered to be in average to good condition. A backup generator is located on this site.

(Water-2) 109 Brock Road – Tank and Booster

This site is located on the south side of Brock Road, just south of its intersection with Bald Hill Road, in Eureka, Missouri. The St. Louis County Assessor identifies this site by Locator Number 30V240192 and calculates it to be 1.97 acres in size. The improvements are secured by a three strand barbed wire chain fence with a height of six feet approximately 600 lineal feet in length. The site is improved with a 500,000 gallon metal ground supported tank that was reportedly installed in 1960, a one story, with concrete slab foundation, frame booster station building containing approximately 600 square feet of gross building area, that is estimated to have been constructed in 2004, and a one story, with concrete slab foundation, metal well house, reportedly constructed in 1960, containing approximately 60 square feet of gross building area. The booster station building is considered to be in average condition and the well house is considered to be in fair condition. A backup generator is located on this site. The well was reportedly capped in 2018.

(Water-3) 489 Hill Drive – Well #5

This site is located on the north side of Hill Drive, within Drewel Park, in Eureka, Missouri. The St. Louis County Assessor identifies this site by Locator Number 29V220521 and calculates it to be 16.00 acres in size. However, the well site is estimated to consist of a 65 foot by 100 foot, or 6,500 square foot, area. The improvements are secured by a three strand barbed wire chain fence with a height of six feet approximately 290 lineal feet in length. The site is improved with a one story, with a concrete slab foundation, well building of masonry construction, containing approximately 899 square feet of gross building area that was reportedly constructed in 2004. This building is serviced with a HVAC system and considered to be in average to good condition. A backup generator is located on this site. It should be noted that there is no pump or tank at this site.

Description of the Subject Property Parcels
(Continued)

(Water-4) 503 Vista Hills Court – Tank, Well #6 and Booster Pump

This site is located on the northwest side of Vista Hills Court at its terminus, in Eureka, Missouri. The St. Louis County Assessor identifies this site by Locator Number 29W220311 and calculates it to be 0.69 acres in size. The improvements are secured by a three strand barbed wire chain fence with a height of six feet approximately 560 lineal feet in length. The site is improved with a 500,000 gallon metal ground supported tank that was reportedly installed in 1997, a prefabricated one story utility building containing approximately 252 square feet that was reportedly constructed in 1997, a prefabricated one story utility building containing approximately 300 square feet that was also reportedly constructed in 1997, and a one story, with concrete slab foundation, masonry building, containing approximately 448 square feet, that is estimated to have been constructed in 2012. The two prefabricated buildings are considered to be in average condition while the masonry building is considered to be in good condition. A backup generator is located on this site.

(Water-5) 1414 West Main Street – Well #10

This site is located on the east side of West Main Street, just north of its intersection with Pinhigh Court, in Eureka, Missouri. The St. Louis County Assessor identifies this site by Locator Number 29W330188 and calculates it to be 0.36 acres in size. The improvements are secured by a three strand barbed wire chain fence with a height of six feet approximately 350 lineal feet in length. The site is improved with a one story, with concrete slab foundation, utility shed of frame construction, containing approximately 900 square feet of gross building area that was reportedly constructed in 2008. This building contains a well pump, is serviced by a HVAC system, and is considered to be in average to good condition. A backup generator is located on this site.

(Water-6) 533 Howerton Lane – Well #1

This site is located on the west side of Howerton Lane Main Street, just north of its intersection with West Fifth Street, in Eureka, Missouri. The St. Louis County Assessor identifies this site by Locator Number 29W520246 and calculates it to be 0.14 acres in size. The improvements are secured by a three strand barbed wire chain fence with a height of six feet approximately 290 lineal feet in length. The site is improved with a one story, with concrete slab foundation, well house of masonry construction, containing approximately 899 square feet of gross building area that was reportedly constructed in 2005. This building contains a well pump, is serviced by a HVAC system, and is considered to be in good condition. A backup generator is located on this site.

Description of the Subject Property Parcels
(Continued)

(Water-7) 755 Brewster Road – Well #9, a Tank, and a Booster Pump

This site is located on the north side of Brewster Road, just west of its intersection with Brewster Road, in Eureka, Missouri. The St. Louis County Assessor identifies this site by Locator Number 28W220011 and calculates it to be 0.89 acres in size. The improvements are secured by a three strand barbed wire chain fence with a height of six feet approximately 700 lineal feet in length. The site is improved with a 500,000 gallon metal ground supported tank that was reportedly installed in 2016 and a one story, with concrete slab foundation, metal utility building containing approximately 1,300 square feet of gross building area, that is estimated to have been constructed in 2016. The utility building is considered to be in good condition. A backup generator is located on this site.

(Water-8) 687 Viola Lane – Well #8 and Two Tanks

This site is located on the north side of Viola Lane, at its intersection with Hunters Heights Drive, in Eureka, Missouri. The St. Louis County Assessor identifies this site by Locator Number 29V430993 and calculates it to be 1.41 acres in size. This parcel is a flag shaped lot that includes an approximate 615 foot by 18 foot access road. The improvements are secured by a three strand barbed wire chain fence with a height of six feet approximately 905 lineal feet in length. The site is improved with a 250,000 gallon metal ground supported tank that was reportedly installed in 1965 and a 500,000 gallon metal ground supported tank that was reportedly installed in 1977. Ancillary buildings include a , a one story, with concrete slab foundation, metal utility building containing approximately 512 square feet of gross building area, that was reportedly constructed in 1965 and considered to be in average condition, a one story, with a concrete slab foundation, frame utility building containing approximately 468 square feet of gross building area, that was reportedly constructed in 1996 and considered to be in average condition, and a one story, on concrete slab foundation, utility building of masonry construction containing approximately 899 square feet of gross building area, that was reportedly constructed in 2006, considered to be in good condition, and serviced by a HVAC system. A backup generator is located on this site.

(Water-9) 360 Forby Road – Tank and Booster

This site is located on the south side of Forby Road, just south of its intersection with Forby Estates Drive, in Eureka, Missouri. The St. Louis County Assessor identifies this site by Locator Number 28V220089 and calculates it to be 6.50 acres in size. The improvements are secured by a three strand barbed wire chain fence with a height of six feet approximately 595 lineal feet in length. The site is improved with a 500,000 gallon metal ground supported tank that was reportedly installed in 2004 and a one story, with concrete slab foundation, utility building of masonry construction containing approximately 240 square feet of gross building area, that is estimated to have been constructed in 2006, serviced by a HVAC system, and is considered to be in good condition. A backup generator is located on this site.

Description of the Subject Property Parcels
(Continued)

(Water-10) 4589 Emerald View Court – Booster Station

This site is located on the west side of Emerald View Court, just north of its intersection with Emerald Oaks Court, in Eureka, Missouri. This parcel is in the name of Emerald Forest Trustees. The St. Louis County Assessor identifies this site by Locator Number 28V520280 and calculates it to be 13.42 acres in size. However, the booster station site is estimated to consist of approximately 5,000 square feet of land area. The site is improved with a one story, on a concrete slab foundation, booster building of frame construction containing approximately 613 square feet of gross building area that was reportedly constructed in 1998. The improvements are designed to resemble a single family dwelling and are considered to be of very good quality and condition. A backup generator is located on this site.

(Wastewater-1) 71 and 99 Augustine Road - Wastewater Treatment Plant

The wastewater treatment plant is comprised of four parcels that are owned by the City of Eureka. These parcels are identified by the Locator Identification Numbers 29U130045, 29U110113, 29U110124, and 29U110146 and have a common street address of 71 and 99 Augustine Road, Eureka, Missouri. According to public records, the entirety of these parcels consists of 38.16 acres. The improvements are secured by a three strand barbed wire chain fence with a height of six feet approximately 4,930 lineal feet in length. The site is improved by a one story, with a concrete slab foundation, metal utility building containing approximately 2,100 square feet of gross building area, that is estimated to have been built in 2012, and is considered to be in good condition and a one story, with a concrete slab foundation, metal utility building containing approximately 1,320 square feet of gross building area, that is estimated to have been built in 2015, and is considered to be in good condition. There is also a small metal shed, approximately 36 square feet in gross building area that is in fair condition. There are two aeriation lagoons at this location. It should be noted that these parcels are contiguous with Kircher Park and are connected by a walking trail that traverses the park and the southern border of the water treatment plant.

(Wastewater-2) 15 Truitt Drive - Lift Station

This site is located on the south side of Truitt Drive, approximately 0.3 miles north of its intersection with Highway 109 Street, in Eureka, Missouri. This site is located at the northeast corner of parcel 29V340522 which is in the name of Marschuetz Properties, LLC. It is uncertain whether the lift station is located on this property or on the public right-of-way. Parcel 29V340522 is calculated by the St. Louis County Assessor's office to be 3.12 acres in size. However, the lift station site is estimated to consist of approximately 10 feet by 10 feet, or 100 square feet, of land area. The site is improved with a lift station.

Description of the Subject Property Parcels
(Continued)

(Wastewater-3) 25 Williams Road - Lift Station

This site is located on the south side of Stonebridge Road, within Kircher Park, in Eureka, Missouri. The St. Louis County Assessor identifies this parcel by Locator Number 29U140055 and calculates it to be 19.51 acres in size. However, the lift station site consists of an estimated 10 foot by 10 foot, or 100 square foot, area of land. The site is improved with a lift station.

(Wastewater-4) Highway 109 Street - Lift Station

This site is located on the east side of Highway 109 Street, approximately 0.3 miles north of its intersection with Interstate 44, in Eureka, Missouri. This site is located in the public right of way. The lift station site is estimated to be approximately 2,300 square feet of land area. The site is improved with a lift station and a generator. It should be noted that this site is currently accessed via a driveway off of Highway 109 Street, approximately 230 feet in length that traverses private property that is identified by the St. Louis County Assessor's office as parcel 28U110190 and is in the name of Deerpath Community Association Inc.

(Wastewater-5) 9 East North Street - Lift Station

This site is located on the north side of East North Street, north of its intersection with North Central Avenue, in Eureka, Missouri. This parcel is in the name of James E. and Judy M. Roney. The St. Louis County Assessor identifies this site by Locator Number 29V630753 and calculates it to be 0.79 acres in size. However, the lift station site consists of an estimated 10 foot by 10 foot, or 100 square foot, area of land. The site is improved with a lift station. It should be noted that this site is approximately 140 feet north of parcel 29V63073's frontage to East North Street and must be accessed by traversing private property that may include both parcel 29V63073 and neighboring parcel 29V630803. The latter parcel is in the name of Paul J and Judith A. Costello.

(Wastewater-6) 7 and 19 West North Street - Lift Station

This site is located on the north side of West North Street, just east of its intersection with North Virginia Avenue, in Eureka, Missouri. This site appears to be on the border of two private parcels, 7 West North Street and 19 West North Street. The St. Louis County Assessor identifies these parcels by Locator Numbers 29V630803, calculated at 7.08 acres, and 29V631172, calculated at 0.40 acres, respectively. Parcel 29V630803 is in the name Paul J and Judith A. Costello and parcel 29V631172 is in the name of William and Bobbie Roberts. However, the lift station site consists of an estimated 10 foot by 10 foot, or 100 square foot, area of land. The site is improved with a lift station. It should be noted that this site is approximately 140 feet north of both of the parcels' frontage to West North Street and must be accessed by traversing private property.

Description of the Subject Property Parcels
(Continued)

(Wastewater-7) 16872 Enderbush Lane - Lift Station

This site is located on the south side of Enderbush Lane at its cul-de-sac, in Eureka, Missouri. The St. Louis County Assessor identifies this parcel by Locator Number 29V531391 and calculates it to be 0.17 acres in size. This parcel is in the name of Enderbush Estates Trustees. The lift station site on a standalone basis is estimated to consist of approximately 1,200 square feet of land area. The site is improved with a lift station.

(Wastewater-8) 1 Hilltop Village Center Drive - Lift Station

This site is located on the north side of Hilltop Village Center Drive, just west of its intersection with Riley Baker Way, in Eureka, Missouri. The St. Louis County Assessor identifies this parcel by Locator Number 29V520270 and calculates it to be 0.99 acres in size. This parcel is in the name of Ridgemoor Investments Inc. However, the lift station site on a standalone basis is estimated to consist of approximately 650 square feet of land area. The site is improved with a lift station and a generator that is enclosed within a frame shed comprised of approximately 16 square feet.

(Wastewater-9) 17435 Wyman Ridge Drive - Lift Station

This site is located on the north side of Wyman Ridge Drive, just east of its intersection with Shawnee View Court, in Eureka, Missouri. The St. Louis County Assessor identifies this parcel by Locator Number 28W220572 and calculates it to be 3.30 acres in size. This parcel is in the name of The Arbors at Rockwood Homeowners Association. The lift station site on a standalone basis is estimated to consist of an approximate 35 foot by 40 foot, or 1,400 square foot, area. The site is improved with a lift station, asphalt paving, two pole mounted lamps, and vinyl fencing around the perimeter that is six feet in height.

(Wastewater-10) 18475 U.S. Highway 66 Street - Lift Station

This site is located on the west side of U.S. Highway 66 Street, just south of its intersection with South Fox Creek Lane, in Eureka, Missouri. The St. Louis County Assessor identifies this parcel by Locator Number 29X210078 and calculates it to be 16.74 acres in size. This parcel is in the name of Show-Me Outdoor Development Inc. The lift station site on a standalone basis is estimated to consist of approximately 7,000 square feet of land area. The site is improved with a lift station, a chat paved driveway, and a generator enclosed within a metal shed of average condition, comprised of approximately 120 square feet of building area.

Description of the Subject Property Parcels
(Continued)

(Wastewater-11) Cahoon Drive - Lift Station

This site is located at the terminus of Cahoon Drive, Eureka, Missouri. This site is located in the public right-of-way and does not have a Locator Number. The lift station site on a standalone basis is estimated to be approximately 10 feet by 10 feet, or 100 square feet of land area. The site is improved with a lift station.

Highest and Best Use Analysis

The beginning point in the valuation of any real estate is the determination of the property's highest and best use. Highest and Best Use is defined in the 14th Edition of *The Appraisal of Real Estate* as follows:

> *The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible and that results in the highest value.*

The 14th Edition states that there are four implicit steps as part of the analysis that are applied in the following order: (1) Legally Permissible, (2) Physically Possible, (3) Financially Feasible, and (4) Maximally Productive.

The subject property includes land (owned in fee and permanent easements), buildings, and infrastructure/facilities associated with the City of Eureka water delivery and wastewater systems.

After considering the components of the subject property systems as a whole, and taking into account the analysis and report prepared by Flinn Engineering, it is our opinion the highest and best use of the subject property as of March 18, 2020, is its present use as a water delivery and wastewater system.

Furthermore, it is our opinion the market value of the land, as vacant, is also for its present use as part of a utility infrastructure system.

Application of the Approaches to Value

Normally included within the steps of the valuation process are the three classic approaches to a value estimate: the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach. Each of these approaches tends to independently serve as a guide to the valuation of the property with varying degrees of validity.

The Cost Approach gives recognition to the fact that buyers have available to them the alternative of constructing a new building when contemplating the purchase of an existing building. Thus, the cost to reproduce the property is utilized as a measure of value.

However, most properties experience varying degrees of accrued depreciation which result from physical depreciation, functional obsolescence and external obsolescence. Any of these three types of depreciation (or a combination thereof) from which the property suffers must be deducted from the estimated cost new of the improvements. The difficulty, then, in applying the Cost Approach is the ability of the appraiser to accurately extract or estimate the amount of depreciation the property being appraised suffers.

The Sales Comparison Approach is based upon the theory that the value of a property is determined by the actions of buyers and sellers in the market for comparable types of property. Recognizing no two properties are identical and that properties sell at different times under different market conditions, the application of the Sales Comparison Approach requires the appraiser to consider any differences between a respective sale and the subject property which may affect value. After the relevant differences are adjusted for, an indicated range of value results.

The theory of the Sales Comparison Approach also realizes that buyers and sellers often have motivations that are unknown to the appraiser and difficult to quantify in the adjustment process. Therefore, while this approach has certain strengths and foundation, it must be carefully applied in order to lead the appraiser to a realistic opinion of value.

And lastly, the Income Capitalization Approach is typically given very much consideration in the appraisal process for income-producing properties. The Income Capitalization Approach gives recognition to the subject property's capabilities of producing an income and that investors in the real estate market will pay a specific amount of cash, or its equivalency, to receive that income, as well as the rights of ownership of the property at the end of the income period.

The Income Capitalization Approach is applied based upon market-extracted information, most notably the income and expenses that prevail in the market for the type of property being appraised. After an appropriate estimate of income is arrived at, the income is converted to an estimate of value via a capitalization rate. The capitalization rate is also either extracted from the market or may be derived based upon a built-up method.

Application of the Approaches to Value
(Continued)

After the appraiser independently applies each approach to value, the three resultant value estimates are reconciled into an overall estimate of value. In the reconciliation process, the appraiser analyzes each approach with respect to its applicability to the property being appraised. Also considered in the reconciliation process is the strength and weakness of each approach with regards to supporting market data.

Regarding the valuation of the subject property, we have applied the Cost Approach and the Sales Comparison Approach. The Income Capitalization Approach was not applied due to the unavailability of the significant amount of market data pertaining to income and expenses that would be necessary to arrive at a credible conclusion.

Following this section is a more detailed explanation of the Cost Approach and the Sales Comparison Approach.

Cost Approach

The Cost Approach to Value is a technique in the appraisal process which recognizes that a prudent purchaser/investor of real estate may consider constructing a new building as an alternative to buying an existing property.

Although it holds true that a prudent purchaser would not pay more for a building than the cost of buying the land and constructing a new building which would offer similar utility, the estimated cost new of the property must be adjusted for items of depreciation which the property being appraised has suffered. Only then will the Cost Approach yield an indication of value which can be correlated with the other two approaches to arrive at the Market Value of the property.

The beginning point of the typical Cost Approach is to arrive at an estimate of the land value as vacant. The land value is arrived at by applying the Direct Comparison Approach utilizing vacant land sales from the market.

The next step is to estimate the cost new of the building. There are two primary types of cost: the Reproduction Cost and the Replacement Cost.

Reproduction Cost is defined as:

> *The cost of construction, at current prices, of an exact duplicate, or replica, using the same materials, construction standards, design, layout, and quality of workmanship, and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building.* [9]

Replacement Cost is defined as:

> *The cost of construction, at current prices, of a building having utility equivalent to the building being appraised but built with modern materials and according to current standards, design, and layout.* [10]

If a property suffers any functional obsolescence, it is necessary to utilize the Reproduction Cost estimate. The measure of loss of value from the functional inadequacy (or superadequacy) would then be deducted as an item of depreciation.

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[9] *The Dictionary of Real Estate Appraisal*, Second Edition, (Chicago, Illinois: American Institute of Real Estate Appraisers, 1989), p. 254.

[10] Ibid.

Cost Approach
(Continued)

After the cost of the property is estimated, all items of depreciation are measured and deducted from the cost to arrive at an estimate of the depreciated cost new of the improvements. The land value as vacant is then added to arrive at a total estimate of the property via the Cost Approach.

Thus, to accurately estimate the value of the property, the appraiser must:

1). Estimate the value of the land as vacant;
2). Estimate the cost new of the building;
3). Estimate the amount of all items of depreciation, if any;
4). Deduct the depreciation estimate from the cost new estimate; and
5). Add the estimated land value to the depreciated value of the improvements.

The starting point in the application of the Cost Approach is to arrive at an estimate of the subject property land as vacant. The land value is estimated based upon the Sales Comparison theory which basically states that no one will pay more for a parcel of land than the cost of acquiring an equally suitable parcel. Therefore, the value of the site is arrived at by measuring the actions of buyers and sellers in the market for comparable parcels of land.

On the following page is a summary of the market data relied on for this analysis. The market data is divided into two categories (Residential Land Sales and Commercial Land Sales). The market data was relied on in determining the contributory value of the land (fee parcels and presumed permanent easements).

Based upon the market data, the total contribution for the land (parcels in fee plus presumed permanent easements) is concluded to be $150,000 of which $100,000 is allocated to the water system and $50,000 is allocated to the wastewater system.

Cost Approach
(Continued)

Comparable Residential Land Sales
(All located in St. Louis County)

No.	Address	City, State, Zip	Sale Date	Sale Price	Size/SF	Size/Ac	Price/SF	Price/Ac
1	640 Meramec View Drive	Eureka, Missouri 63025	10/11/2019	$35,000	10,019	0.230	$3.49	$152,174
2	550 Orchard Lane	Eureka, Missouri 63025	3/15/2018	$58,000	13,504	0.310	$4.30	$187,097
3	364 Stonewall Drive	Eureka, Missouri 63025	5/9/2019	$119,500	43,996	1.010	$2.72	$118,317
4	336 Stonewall Drive	Eureka, Missouri 63025	11/29/2018	$120,000	45,302	1.040	$2.65	$115,385
5	778 Southern Hills Drive	Eureka, Missouri 63025	12/22/2017	$84,000	72,310	1.660	$1.16	$50,602
6	1115 Eureka Road	Unincorporated, Missouri 63025	12/27/2018	$71,000	76,230	1.750	$0.93	$40,571
7	121 Lewis Road	Unincorporated, Missouri 63025	11/25/2019	$80,000	130,680	3.000	$0.61	$26,667
8	416 Crescent Meadows Lane	Unincorporated, Missouri 63025	9/4/2018	$117,500	131,551	3.020	$0.89	$38,907
9	419 Crescent Vista Lane	Eureka, Missouri 63025	5/22/2018	$170,000	134,600	3.090	$1.26	$55,016
10	404 Crescent Meadows Lane	Unincorporated, Missouri 63025	8/27/2018	$124,900	136,778	3.140	$0.91	$39,777
11	216 Deer Run Lane	Unincorporated, Missouri 63025	12/19/2018	$172,500	162,479	3.730	$1.06	$46,247
12	519 Lewis Road	Unincorporated, Missouri 63025	12/6/2019	$300,000	435,600	10.000	$0.69	$30,000
13	1145 and 1173 Eureka Road	Unincorporated, Missouri 63025	11/7/2019	$444,000	726,146	16.670	$0.61	$26,635

Comparable Commercial Land Sales
(All located in St. Louis County)

No.	Address	City, State, Zip	Sale Date	Sale Price	Size/SF	Size/Ac	Price/SF	Price/Ac
1	532 North Virgnia Avenue	Eureka, Missouri 63025	9/19/2014	$20,000	7,100	0.163	$2.82	$122,699
2	105 East Third	Eureka, Missouri 63025	5/24/2018	$300,000	64,904	1.490	$4.62	$201,342
3	216 and 220 East Avenue	Eureka, Missouri 63025	10/4/2017	$31,000	10,019	0.230	$3.09	$134,783
4	923 Benton Street	Valley Park, Missouri 63088	12/27/2017	$116,000	19,602	0.450	$5.92	$257,778
5	16910 Manchester Road	Wildwood, Missouri 63040	7/10/2019	$75,000	23,740	0.545	$3.16	$137,615
6	354 Skinker Lane	Fenton, Missouri 63026	9/13/2019	$58,000	3,049	0.070	$19.02	$828,571
7	555 Rockwood Arbor Drive	Eureka, Missouri 63025	3/14/2018	$685,874	169,753	3.897	$4.04	$176,001

Cost Approach
(Continued)

With regard to the contributory "as is" value of the improvements, the exhibit on the following page summarizes the analysis and calculations for each property based upon the estimates and calculations of the appraisers.

The exhibit on the following page includes cost estimates ("UNIT VALUE") that were based upon industry cost sources. The exhibit also includes an opinion of the remaining economic life ("REL") that was based upon age/life depreciation estimates based, in part, on the observed condition of the improvements by the appraisers.

The total building and site improvements "as is" value opinions are $256,153 for the water asset locations and $125,515 for the wastewater asset locations. The appraisers' opinions for the wastewater assets (land and site improvements; $125,515) is reasonably close to the depreciation calculation provided in the Flinn report. In the Flinn report, the calculation for the improvements for the wastewater locations was $116,618.

However, in the opinions and calculations for the water asset locations, the appraisers' opinion was a total of $256,154. The Flinn report was substantially higher as the calculations for two of the locations (W-1 and W-7) included other assets in addition to the buildings. After consulting with the author of the Flinn report, we became aware that the line item calculations in the Flinn report in some cases include other assets (such as the water softener system in the case of W-7) and therefore the depreciated value of the building is not divided out of the total.

Another consideration in the comparison of the Flinn calculations and the appraisers' opinions is the estimate of depreciation applied. For example, in the Flinn report, the depreciated assets of the buildings is based upon a combination of historical data and industry standards without the benefit of interior inspections. The appraisers' opinions are based upon current cost estimates and depreciation calculations utilizing an age/life method that is based upon the observed conditions of the buildings.

Based upon this information, we have subtracted from the Flinn report total depreciated values (for both water and wastewater) an amount equal to the depreciated value attributed to the buildings. In our opinion, the appraisers' opinions are more accurate as they are based, in part, on observed condition, and should be used as the basis of the contributory value of the improvements for the Cost Approach.

As noted earlier, the appraisers' opinions of "As Is Value" are presented in the exhibit on the following page. Following that exhibit are additional exhibits showing (1) the comparison of the Flinn calculations and the appraisers' opinions and (2) a summary of the adjustments to the Flinn calculations to remove the values attributed to the buildings.

Cost Approach
(Continued)

SUMMARY OF CONTRIBUTORY VALUE OF IMPROVEMENTS

Location	Building	Size		Unit Value	Cost New	REL	As Is Value
(Water -1) 765 Niehoff Drive							
	Prefabricated Shed	160	S.F.	$15.29	$2,446	80%	$1,957
	Chain Fence	350	Lineal Ft.	$19.07	$6,675	70%	$4,672
(Water -2) 109 Brock Road							
	Booster Station	600	S.F.	$24.86	$14,916	70%	$10,441
	Well House	60	S.F.	$15.29	$917	50%	$459
	Chain Fence	600	Lineal Ft.	$19.07	$11,442	70%	$8,009
(Water-3) 489 Hill Drive							
	Well House	899	S.F.	$35.32	$31,753	90%	$28,577
	Chain Fence	290	Lineal Ft.	$19.07	$5,530	70%	$3,871
(Water-4) 503 Vista Hills Court							
	Prefabricated Building	252	S.F.	$15.29	$3,853	70%	$2,697
	Prefabricated Building	300	S.F.	$15.29	$4,587	70%	$3,211
	Masonry Building	448	S.F.	$29.75	$13,328	90%	$11,995
	Chain Fence	560	Lineal Ft.	$19.07	$10,679	70%	$7,475
(Water-5) 1414 West Main Street							
	Utility Shed	900	S.F.	$30.42	$27,378	80%	$21,902
	Chain Fence	350	Lineal Ft.	$19.07	$6,675	70%	$4,672
(Water-6) 533 Howerton Lane							
	Well House	899	S.F.	$35.32	$31,753	90%	$28,577
	Chain Fence	290	Lineal Ft.	$19.07	$5,530	70%	$3,871
(Water-7) 755 Brewster Road							
	Utility Building	1300	S.F.	$15.29	$19,877	90%	$17,889
	Chain Link Fence	700	Lineal Ft.	$19.07	$13,349	70%	$9,344
(Water-8) 687 Viola Lane							
	Utility Building	512		$15.29	$7,828	70%	$5,480
	Utility Building	468		$24.86	$11,634	70%	$8,144
	Utility Building	899		$35.32	$31,753	90%	$28,577
	Chain Link Fence	905	Lineal Ft.	$19.07	$17,258	70%	$12,081
(Water-9) 360 Forby Road							
	Utility Building	240	S.F.	$45.50	$10,920	90%	$9,828
	Chain Fence	595	Lineal Ft.	$19.07	$11,347	70%	$7,943
(Water-10) 4589 Emerald View Court							
	Booster Building	613	S.F.	$24.86	$15,239	95%	$14,477
(Wastewater-1) 71 & 99 Augustine Road							
	Utility Building	2,100	S.F.	$15.29	$32,109	90%	$28,898
	Utility Building	1,320	S.F.	$15.29	$20,183	90%	$18,165
	Shed	36	S.F.	$9.44	$340	50%	$170
	Chain Link Fence	4,930	Lineal Ft.	$19.07	$94,015	70%	$65,811
(Wastewater-9) 17435 Wyman Ridge Drive							
	Vinyl Fence	145	Lineal Ft.	$42.26	$6,128	90%	$5,515
	Asphalt	1,070	S.F.	$2.96	$3,167	90%	$2,850
	Lamp Post	2	Units	$1,568.00	$3,136	90%	$2,822
(Wastewater-10) 18475 U.S. Highway 66 Street							
	Shed	120	S.F.	$15.29	$1,835	70%	$1,284

Cost Approach
(Continued)

COMPARISON OF CONTRIBUTORY VALUE OF IMPROVEMENTS

Buildings and Site Improvements

LOCATION	FLINN REPORT	APPRAISERS' ESTIMATE	NOTES
W-1	$199,757	$6,629	*Flinn: Includes building and other assets*
W-2	$36,525	$18,909	
W-3	$25,437	$32,449	
W-4	$108,402	$25,379	
W-5	$68,705	$26,575	
W-6	$3,392	$32,449	
W-7	$2,203,090	$27,234	*Flinn: Includes building and other assets*
W-8	$47,482	$54,282	
W-9	$0	$17,771	
W-10	$24,106	$14,477	
WATER TOTAL	**$2,716,896**	**$256,154**	

LOCATION	FLINN REPORT	APPRAISERS' ESTIMATE	
WW-1	$116,618	$113,043	
WW-2	$0	$0	
WW-3	$0	$0	
WW-4	$0	$0	
WW-5	$0	$0	
WW-6	$0	$0	
WW-7	$0	$0	
WW-8	$0	$0	
WW-9	$0	$11,188	*Appraisers' estimate includes site improvements*
WW-10	$0	$1,284	*Appraisers' estimate includes site improvements*
WASTEWATER TOTAL	**$116,618**	**$125,515**	

Note: The information in the exhibit above in the column with the heading "FLINN REPORT" is taken from the information contained in Flinn Appendix D (attached hereto). For purposes of the adjustments to the Flinn report depreciated values (summarized below), the deductions for W-1 and W-7 were adjusted to reflect only the buildings' contributions as the author of the Flinn report explained those respective totals ($199,757 for W-1 and $2,203,090 for W-7) include other assets in addition to the buildings.

ADJUSTMENTS APPLIED TO FLINN REPORT- DEPRECIATED VALUE CALCULATION TOTALS	
Depreciated Value of Water System Assets Including Buildings:	$18,155,170
Less Depreciated Value Attributed to Buildings:	-$300,000
Depreciated Value of Water Assets Excluding Buildings:	**$17,855,170**
Depreciated Value of Wastewater System Assets Including Buildings:	$13,293,844
Less Depreciated Value Attributed to Buildings:	-$116,618
Depreciated Value of Wastewater Assets Excluding Buildings:	**$13,177,226**

Cost Approach
(Continued)

The final step in the Cost Approach is to add the depreciated value of the assets for the water and wastewater systems.

With respect to the subject property system facilities, we have utilized the depreciated asset values from the Flinn report (excluding the building values as explained above). The Flinn values (prior to our adjustments) are summarized on Page 6 of the Flinn Report.

Based upon our analysis of the land, combined with the Flinn analysis, the total value by the Replacement Cost New Less Depreciation is summarized below.

SUMMARY OF COST APPROACH VALUATIONS	
WATER SYSTEM	
Contributory Value of Land and Easements Rights:	$100,000
Flinn Engineering opinion (after adjustment for buildings):	$17,855,170
Contributory Value of Buildings and Site Improvements (As Is Value):	$256,154
TOTAL FOR WATER SYSTEM:	$18,211,324
ROUNDED TO:	**$18,200,000**
WASTEWATER SYSTEM	
Contributory Value of Land and Easements Rights:	$50,000
Flinn Engineering opinion (after adjustment for buildings):	$13,177,226
Contributory Value of Buildings and Site Improvements (As Is Value):	$125,515
TOTAL FOR WATER SYSTEM:	$13,352,741
ROUNDED TO:	**$13,400,000**

Sales Comparison Approach

The Sales Comparison Approach is an approach to value which measures the actions and activity of buyers and sellers in the market and relates those actions to the property being appraised. Also referred to as the Market Approach, the underlying premise of this approach to value is that no prudent purchaser will pay more for a property than the cost of acquiring an equally suitable parcel. The fundamental concept of the Sales Comparison Approach is the Principle of Substitution, which is defined as:

> *A valuation principle that states that a prudent purchaser would pay no more for real property than the cost of acquiring an equally desirable substitute on the open market. The Principle of Substitution presumes that the purchaser will consider the alternatives available and will act rationally or prudently on the basis of the information about those alternatives, and that reasonable time is available for the decision. Substitution may assume the form of the purchase of an existing property, with the same utility, or of acquiring an investment which will produce an income stream of the same size with the same risk as that involved in the property in question.*

Research of the area, state and national real estate market was completed in order to find sales of water distribution systems that included comparable features to the subject property. There have been several sale properties selected from all available sale transactions for analysis in this approach. The sales data was provided through information from the Missouri Public Service Commission, Illinois Commerce Commission, Aqua America Inc., American Water Company, and Hartman Consultants LLC.

The sales were considered to be the most comparable to the subject property in terms of arms-length sales transactions, location of the system, capital improvements supporting the water system and number of water customer accounts in the entire system. All information of the sale transactions and properties was confirmed by the previously mentioned party or parties to the transaction.

As explained in the Scope of Work section of this report, we included transactional data pertaining to utility systems located in Illinois. We did consider two transactions by Missouri American Water of systems in Missouri. However, the market data available for utility systems acquired in Missouri is very limited, with Missouri American Water Company being the primary entity acquiring systems. Therefore, it is reasonable and acceptable to expand the search for comparable market data to areas outside the borders of Missouri.

Sales Comparison Approach
(Continued)

Sale 1

City of Rosiclare Water and Wastewater Utility (Water & Sewer)
City of Rosiclare, Hardin County, Illinois

Pending
Asset Purchase Agreement signed June 4, 2019
Price: $480,000 Water
$120,000 Sewer
Water system with 525 customers ($914 per customer)
Wastewater system with 400 customers ($300 per customer)

Seller: City of Rosiclare, IL
Buyer: Illinois American
ICC Docket #19-0733

This sale included the transfer of a water treatment and sewer system. The water system includes two parcels of land owned in fee, one water treatment plant built in 1934, two active wells built in 1995, one 150,000 gallon water tower, one settling basin and one overflow basin. The water system purchase does not include the distribution system. The water treatment plant design maximum capacity is 350,000 gpd. The wastewater system includes four parcels of land owned in fee, one wastewater lift station built in 2017, one wastewater treatment plant built in 1951 with major improvements in 1987, and approximately 46,000 linear feet of mains.

Sales Comparison Approach
(Continued)

Sale 2

Village of Sidney Water Utility (Water)
Village of Sidney, Champaign County, Illinois

Pending
Asset Purchase Agreement signed April 25, 2019
Price: $2,300,000
Water system with 567 customers ($4,056 per customer)

Seller: Village of Sidney, IL
Buyer: Illinois American
ICC Docket #19-0653

This sale included the transfer of a water system. The water system includes a 150,000 gallon elevated storage tank built in 1953, 92 hydrants, approximately 220 valves, 546 meters, approximately 100,000 linear feet of water mains, a booster pump station, and rechlorination buildings. The system is a sequential system purchasing bulk water from Illinois American Water Company.

Sales Comparison Approach
(Continued)

Sale 3

Village of Andalusia Water and Wastewater Utility (Water & Sewer)
Village of Andalusia, Rock Island County, Illinois

Pending
Asset Purchase Agreement signed May 7, 2019
Price: $1,800,000 Water
$1,500,000 Sewer
Water system with 490 customers ($3,674 per customer)
Wastewater system with 460 customers ($3,261 per customer)

Seller: Village of Andalusia, IL
Buyer: Illinois American
ICC Docket #19-0732

This sale included the transfer of a water treatment and distribution system, and sewer system. The water system includes a 310,000 gallon storage tank built in 1980, a chlorination and fluoridation water treatment plant operating in the 60 to 80 psi range, 106 hydrants, a booster pump station, and approximately 55,000 linear feet of water mains. The sewer system includes three lift stations, approximately 6,000 linear feet of force mains, 34,800 linear feet of gravity collection mains, 140 manholes, and a three cell wastewater treatment plant. The sanitary system does not include stormwater and is not a CSO type facility.

Sales Comparison Approach
(Continued)

Sale 4

Village of Leonore Water Utility (Water)
Village of Leonore, Rock Island County, Illinois

Pending
Asset Purchase Agreement signed July 10, 2019
Price: $100,000
Water system with 68 customers ($1,471 per customer)

Seller: Village of Leonore, IL
Buyer: Illinois American
ICC Docket #19-0854

This sale included the transfer of a water treatment system. The water system was built in 1958 and includes one operating well, approximately 11,000 linear feet of water mains, 16 flushing hydrants (not fire hydrants), 68 meters, a 7,500 gallon hydrotank built in 1978, a 10,000 gallon hydrotank built in 1983, and a water treatment plant built in 1976.