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DOCKET NO. 50816

APPLICATION OF VINTON HILLS ALEGRE, LLC AND VILLAGE OF VINTON FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN EL PASO COUNTY	§ § § § § §	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

VILLAGE OF VINTON'S PROOF OF CLOSING

COMES NOW the Village of Vinton (the "Village"), by and through its undersigned attorneys of record, and files this Proof of Closing the transaction contemplated by the above-referenced application. In support thereof, the Village would respectfully show as follows:

I. BACKGROUND

On May 5, 2020, Vinton Hills Alegre, LLC ("Vinton Hills") and the Village (collectively, "Applicants") filed the above-referenced application for sale, transfer, or merger of facilities and certificate rights in El Paso County ("Application"), requesting approval to sell and transfer all of the assets and facilities currently held under Vinton Hills' water Certificate of Convenience and Necessity ("CCN") No. 12563 to the Village's water CCN No. 13269. On October 23, 2020, the administrative law judge issued Order No. 6 in this matter, approving the sale and authorizing the transaction proposed in the Application (the "Transaction") to proceed and be consummated. Order No. 6 also directed that, "[a]s soon as possible after the effective date of the [T]ransaction, but not later than 30 days after the effective date, the [A]pplicants must file proof that the transaction has been consummated and customer deposits, if any, have been addressed."

The Applicants closed on the transaction on April 19, 2021, therefore, this pleading is timely filed.

II. PROOF OF CLOSING

Attached to this Proof of Closing are the following fully-executed documents, evidencing the closing of the Transaction:

- **Attachment 1**: Bill of Sale and Assignment;

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- **Attachment 2**: Indemnity and Affidavit as to Debts and Liens of Vinton Hills Alegre, LLC, recorded in the Official Public Records of El Paso County, Texas, as Document No. 20210040028;
- **Attachment 3**: Special Warranty Deed, recorded in the Official Public Records of El Paso County, Texas, as Document No. 20210040029; and
- **Attachment 4**: Assignment of Easements, recorded in the Official Public Records of El Paso County, Texas, as Document No. 20210040027.

It is the Village's understanding that there are no customer deposits. Thus, the Transaction has been consummated and the customer deposits have been properly addressed.

III. CONCLUSION AND PRAYER

For the above-stated reasons, the Village respectfully requests that this Proof of Closing be accepted; the Application, as amended, be approved; and the Applicants be granted all other orders, acts, procedures, and relief to which they are justly entitled.

Respectfully submitted,

LLOYD GOSSELINK ROCHELLE & TOWNSEND, P.C.

816 Congress Avenue, Suite 1900
Austin, Texas 78701
(512) 322-5800
(512) 472-0532 (Fax)

DAVID J. KLEIN
State Bar No. 24041257
dklein@lglawfirm.com

MARIS M. CHAMBERS
State Bar No. 24101607
mchambers@lglawfirm.com

ATTORNEYS FOR VILLAGE OF VINTON

CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on May 12, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.

Mari Chambers

MARIS M. CHAMBERS

Attachment 1

Fully-Executed Bill of Sale and Assignment

STATE OF TEXAS §
§ **KNOW ALL MEN BY THESE PRESENTS:**
COUNTY OF EL PASO §

BILL OF SALE AND ASSIGNMENT

Vinton Hills Alegre, LLC ("***Seller***"), a Texas limited liability company in good standing, for and in consideration of the sum of Ten and No/100 Dollars ($10.00) cash and other good and valuable consideration paid to Seller by the Village of Vinton, a Type A general law municipality of the State of Texas, operating under and governed by the laws and Constitution of the State of Texas ("***Purchaser***") (Seller and Purchaser are each a "***Party***", and are collectively referred to as the "***Parties***"), the receipt and sufficiency of which is hereby acknowledged, has granted, sold, and conveyed, and by these presents does grant, sell, and convey unto Purchaser, its successors and assigns, the following:

1. Seller has GRANTED, SOLD, ASSIGNED, TRANSFERRED, CONVEYED, SET-OVER, and DELIVERED, and by these presents does hereby GRANT, SELL, ASSIGN, TRANSFER, CONVEY, SET-OVER, and DELIVER unto Purchaser all of the interest of Seller in the following assets which comprise the Water Systems, as defined herein (collectively, the "***Assets***"):

   (a) all of Seller's water distribution lines, storage tanks, water wells, and related facilities that comprise the public water systems identified by Texas Commission on Environmental Quality ("***TCEQ***") Public Water System Registration Nos. TX0710169, TX0710172, and TX0710151; and such infrastructure is more specifically depicted in **Exhibit 1**, attached hereto and incorporated by this reference herein for all purposes (collectively, the "***Water Systems***");

   (b) all items of furniture, fixtures, equipment, documents, and miscellaneous tangible personal property owned by Grantor, and located within, or used in connection with, the ownership or operation of the Water Systems, serving the retail water service area assigned under Certificate of Convenience and Necessity ("***CCN***") No. 12563 by the Public Utility Commission of Texas ("***PUC***"), and all of such items and personal property being collectively referred to herein as the "***Personal Property***," including, but not limited to, any such Personal Property depicted or described in **Exhibit 1**, attached hereto and incorporated herein for all purposes, and/or that certain Commercial Appraisal Report prepared by Barrett Appraisal Services, LLC in September 2018, attached hereto and incorporated herein for all purposes as **Exhibit 2**;

   (c) all surveys, tests, soil and substrata studies, and environmental assessments or studies of any kind, if any, now or hereafter in the possession of Seller which relate to the Water Systems (the "***Studies***");

   (d) to the extent allowed by law, the lists of names and addresses of each customer of Seller, information regarding deposits made by such customers to Seller, in hard copy and on computer media, that are in the possession of Seller that relate to the Water Systems (the "***Records***");

(e) all of Seller's right, title and interest in and to all other rights, privileges and appurtenances owned by Seller and in any way related to the Water Systems;

(f) all permits, licenses, authorizations, and governmental approvals granted or issued by any governmental authority to Seller that enable Seller to operate and maintain the Water Systems, including, but not limited to, (i) the portion of Seller's water CCN No. 12563, known as the CCN area, and (ii) Seller's public drinking water system authorizations for the Water Systems (collectively, the "***Permits***"), and the Permits that shall be transferred and assigned by Seller to Purchaser are listed on **Exhibit 3**; provided, however, that to the extent that the transfer, assignment, or conveyance of such matters are subject to governmental approval or consent, Seller and Purchaser agree to work together at their sole respective costs to obtain all approvals and consents that are necessary to effect the transfers, assignments, or conveyances contemplated herein;

(g) all right, title, and interest of Seller in and under service contracts, operating agreements, and warranties, and amendments, modifications, additions, and changes thereto, that are related to the Water Systems (collectively, the "***Service Agreements***"), if any; but, only to the extent that Purchaser agrees to accept the liabilities of Seller thereunder;

(h) all right, title, and interest of Seller in and to the plans, specifications, site plans, as-built plans, architectural renderings, engineering plans and studies, floor plans, landscape plans, surveys, shop drawings, drawings, sketches, operating manuals, diagrams, and other documents of every nature and description in the possession of Seller ("***Plans***") that relate to the Water Systems (collectively, the "***Plans***"); and

(i) all customer deposits of every nature, including security deposits, guaranty fees, prepaid tap fees, and other sums paid to Seller by the customers of the Water Systems, and which are held in trust for or are reimbursable to one or more or such customers ("***Deposits***"), upon the occurrence of future conditions or events.

2. The Parties further agree as follows:

(a) This Bill of Sale and Assignment ("***Agreement***") is absolute and effective immediately.

(b) Purchaser is hereby vested with full power to use all measures, legal and equitable, deemed by it necessary or proper to enforce this Agreement and to collect the benefits of the Assets hereunder.

(c) IN ADDITION TO THE OTHER REMEDIES AFFORDED TO PURCHASER IN THIS AGREEMENT, AND TO THE EXTENT ALLOWED BY LAW, SELLER SHALL RELEASE, INDEMNIFY, DEFEND, AND HOLD HARMLESS PURCHASER FOR, FROM, AND AGAINST ANY AND ALL LOSSES LIENS, CAUSES OF ACTION, SUITS, JUDGMENTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COURT COSTS, ATTORNEYS' FEES, AND COSTS OF INVESTIGATION, REMOVAL, AND REMEDIATION, AND

GOVERNMENTAL OVERSIGHT COSTS) ENVIRONMENTAL OR OTHERWISE OF ANY NATURE, KIND OR DESCRIPTION OF ANY PERSON OR ENTITY DIRECTLY OR INDIRECTLY ARISING OUT OF, RESULTING FROM, OR RELATED TO (IN WHOLE OR IN PART) THE FOLLOWING:

(i) SELLER'S PERFORMANCE OF ITS OBLIGATIONS PURSUANT TO THIS AGREEMENT;

(ii) VIOLATIONS OR CLAIMED VIOLATIONS OF ANY ENVIRONMENTAL, HEALTH, AND SAFETY LAWS WHICH RELATE IN ANY WAY TO THE OWNERSHIP, OCCUPANCY, USE, OPERATION, OR CONDITIONS OF ANY PRESENT OR FORMER PROPERTIES OF THE WATER SYSTEMS ON OR BEFORE THE CLOSING DATE (AS DEFINED IN THAT CERTAIN CONTRACT FOR THE SALE AND PURCHASE OF A WATER SYSTEM BETWEEN THE VILLAGE OF VINTON AND VINTON HILLS ALEGRE, LLC, DATED MARCH 17, 2020);

(iii) ANY CLEANUP OR REMEDIATION REQUIREMENT OR LIABILITY OR ANY OTHER DAMAGES OR LIABILITY ARISING FROM A RELEASE OR THREATENED RELEASE OR EXPOSURE TO ANY HAZARDOUS SUBSTANCES TO THE EXTENT THAT THOSE HAZARDOUS SUBSTANCES ARE PRESENT AT ANY PRESENT OR FORMER PROPERTIES OF THE WATER SYSTEMS ON OR BEFORE THE CLOSING DATE;

(iv) ANY TAXES ATTRIBUTABLE TO THE WATER SYSTEMS; AND

(v) DEPOSITS PAID BY CUSTOMERS TO SELLER OR INTEREST ACCRUED ON SUCH DEPOSITS THAT WERE INITIALLY PAID BY CUSTOMERS TO SELLER.

(d) Waiver or acquiescence by Purchaser in any default by Seller, or failure of Purchaser to insist upon strict performance by Seller of any warranties or agreements in this Agreement, shall not constitute a waiver of any subsequent or other default or failure, whether similar or dissimilar.

(e) The rights and remedies of Purchaser under this Agreement are cumulative and are not in lieu of, but are in addition to any other rights or remedies Purchaser shall have under any other instruments executed concurrently herewith between the Parties, or at law or in equity.

(f) If any term of this Agreement, or the application thereof to any person, entity, or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term to person or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(g) All notices to be given by this Agreement shall be sufficient if mailed either by (1) postage prepaid, certified or registered mail, return receipt requested, or (2) by delivery to a nationally recognized overnight delivery service, to the following addresses of the Parties hereto, or to such other address as a Party may request in writing:

Seller	**Purchaser**
Vinton Hills Alegre, LLC	Village of Vinton
c/o Bruce Bonestroo, Owner/Manager	c/o Village Administrator
P.O. Box 428	436 E. Vinton Road
Anthony, NM 88021	Vinton, Texas 79821

Any time period provided in the giving of any notice hereunder shall commence upon the date such notice is deposited in the mail or delivered to said overnight delivery service, as the case may be.

(h) Seller, and Seller's successors and assigns, agree to warrant and defend title to the foregoing property hereby conveyed.

(i) Purchaser shall use commercially reasonable efforts to have utility services switched from Seller to Purchaser within a commercially reasonable amount of time.

3. Seller hereby represents and warrants to Purchaser, as of the date Seller executes this Agreement, the following:

(a) Seller has complied with all applicable laws, regulations, statutes, rules, and restrictions relating to the Water Systems. The Water Systems are in compliance with the Texas Water Code, the TCEQ's rules for public drinking water systems, and the PUC's rules for CCNs. No enforcement actions are pending at the TCEQ or PUC against Purchaser regarding the Water Systems.

(b) All of the Water Systems is located within public rights-of-way and not within any privately-owned property. Seller has complied with the terms of all easements and rights-of-way instruments under or pursuant to which the Water Systems has been made and/or installed, if any. Seller is not in default under any easement or right-of-way instrument. Seller has received no notice of any violation of any applicable zoning regulation, ordinance, or any other law, covenant, condition, restriction, easement, or right-of-way relating to the Water Systems from any governmental agency having jurisdiction over the Property or from any other person or owner, and Seller does not have any knowledge of any such violation. In the event that any portion of the Water Systems is located on privately held property, Seller agrees to provide Purchaser with the necessary property right to access, operate, maintain, repair, or remove such infrastructure, free and clear of any and all liens and encumbrances, within a commercially reasonable time; provided, however, that if such right to the real property right is not provided within thirty (30) days of the date that this Agreement is fully executed, Purchaser shall have the sole discretion to exercise its authority to obtain such real property right at Seller's sole cost and expense. Seller have the obligation to reimburse Purchaser within fifteen (15) days of receipt of a bill for such costs.

(c) Seller has no unpaid bills with respect to the Water Systems, except those previously disclosed by Seller to Purchaser in writing.

(d) There is no pending condemnation, proceeding, or assessment currently existing of which Seller has been notified or, to the best of Seller's knowledge, threatened or contemplated against Seller or its Water Systems by any governmental entity or authority.

(e) The person executing this Agreement on behalf of Seller has the proper authority to enter into this Agreement on Seller's behalf, and to bind Seller to its terms.

(f) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas.

(g) Each of the Parties represent and warranty that their respective representative executing this Agreement is authorized to execute this Agreement.

TO HAVE AND TO HOLD the Assets, together with all and singular rights and appurtenances thereto in anywise belonging, unto the said Purchaser, its successors and assigns, forever, and Seller does hereby bind itself and its successors to WARRANT AND FOREVER DEFEND title to the Assets unto Purchaser, its successors and assigns, against the lawful claims of any and all persons lawfully claiming or to claim the same or any part hereof.

Seller warrants that there are no liens, encumbrances, or security agreements affecting the Water Systems and/or Purchaser's interests in those Water Systems.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale and Assignment to be effective on the day and year this Agreement is fully executed by the Parties.

PURCHASER: **VILLAGE OF VINTON,** a Type A general law municipality of the State of Texas

By: _____
Manuel Leos, Mayor

Date: 4-19-21

SELLER:

VINTON HILLS ALEGRE, LLC, a Texas limited liability company

By: _____
Bruce Bonestroo, Owner/Manager

Date: 4-19-21

Exhibit 1—WATER SYSTEMS AND PERSONAL PROPERTY

The Villa Alegre Estates, Vinton Hills Subdivision, and Vinton Village Estates Water Systems include but are not limited to:

- All meters, pumps, pipes, motors, groundwater wells, water lines and related facilities, water transmission mains, water distribution lines to individual connections, storage facilities, water treatment plants and any other components necessary to operate these water systems, valves, electrical connections, buildings, parking areas, landscaping and all other improvements situated on, over, under, or within the real estate for such Water Systems; and

- all improvements and personal property necessary or incidental to the operation or maintenance of the Water Systems or within the real property.

Exhibit 2—COMMERCIAL APPRAISAL REPORT

BARRETT APPRAISAL SERVICES, LLC

Final
Commercial Appraisal Report

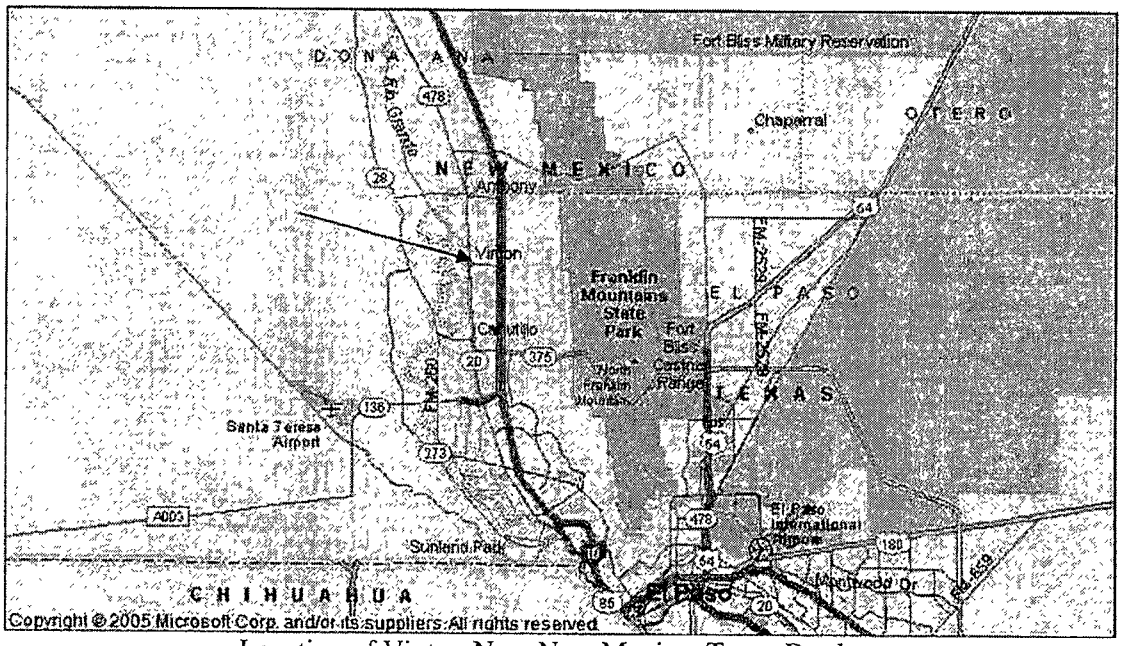
Three Public Retail Water Systems
d/b/a Vinton Hills Alegre LLC Water Systems
Vinton, El Paso County, Texas

Prepared for
Vinton Hills Alegre, LLC
P.O. Box 428
Anthony, Dona Ana County, New Mexico 88021

September 2018

Prepared by:
G. Vincent Barrett, Ph.D., MAI
NM 506-G
TX 4224-G

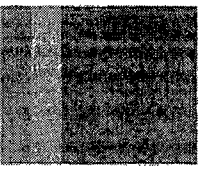
A report is one that is transmitted to the client upon completion of an assignment. Any appraisal report or review report transmitted or shown to the intended users that has a previous date from this document is null and void and should not be relied upon by anyone including the intended users. The report is the final document with the latest date. All previous submissions are not reports as defined by USPAP. The assignment and client are defined by contract. There may be multiple submissions before a document becomes a report. However, there is only one completion of an assignment. Any document submitted or shown to the client will be dated when transmitted. Only the named intended users should rely on this document because only the named intended user would know if a previous submission is superseded by a later report. Furthermore, the target of a report is the intended user. No one else should rely upon this report except the named intended users. Even the client & named intended users should not rely upon this document if it was superseded by a report with a later date.



Location of Vinton Near New Mexico, Texas Borders

Vinton Hills Alegre, LLC Water Systems General Service Area N of El Paso, Tx
(Boundaries are Approximate)

Barrett Appraisal Services, LLC
P.O. Box 1244, 505 Hwy 195, Elephant Butte, NM 87935
575 644 2306 gvincent4@hotmail.com



September 22, 2018
As Revised-Final Report

Vinton Hills Alegre, LLC
P.O. Box 428
Anthony, NM 88021-428
c/o Bruce Bonestroo, Owner/Manager
Also Karl Schneider-Manager/Operator
Schneiderbrenda728@gmail.com

Letter of Transmittal:

Re: Appraisal of Vinton Hills Alegre, LLC a Public Water Utility, Vinton, El Paso, County, Texas

Dear Mr. Bonestroo,

At your request, Barrett Appraisal Services, LLC has completed an estimate of the current market value of the going concern of Vinton Hills Alegre, LLC. a regulated public retail water utility with a mailing address of P.O. Box 428, Anthony, NM 88021. An appraisal has been conducted which is presented in a narrative summary appraisal report.

This report is a revision and final report of the appraisal report that was transmitted to you on January 17, 2018. The market value at that time was estimated at $427,000. The original preliminary report was based on the hypothetical condition in the discounted cash flow model that used the annual utility price rate adjustment growth factor of 1.57% through 2021 and 2% thereafter. Although a higher adjustment factor had been anticipated it was unknown at that time. Subsequently an adjustment factor of 3.5% was approved by the Public Utility Commission of Texas. The approval was made effective on 1 October 2018.

The rate adjustment impacts the DFC model used in the income approach. Thus the revised calculation for the annual growth rate in "user rates and impact fees, i.e., rows 67 and 68 in the DCF are now 3.5% for 2019 – 2021 and reduced to 2% thereafter. As the rate adjustment is based on the annual price index change (http://www.puc.texas.gov/industry/water/report/default.aspx.) the assumption for the rate is level for three years then declines to 2% through 2038. All other factors are held constant including the weighting of the three approaches and the effective date of the appraisal.

The subject is a going concern with the single business interest being that of a privately owned and Public Utility Commission (PUC) and Texas Commission on Environmental Quality (TCEQ) regulated retail water utility. The utility, by years end 2016 (the latest recorded Annual Report) according to PUC filings, was serving 285 residential connections with an estimated potential connections of 331 more or less. The PUC annual filings employed in this study are dated from 2010 through 2016. The facility, consisting of three separate water systems, is currently owned by Vinton Hills Alegre, LLC and has been since 2006. The single

owner/manager of the LLC is Bruce Bonestroo. It is the appraiser's understanding that the ownership is now considering a possible sale of the utility to the Village of Vinton or other interested parties who are not PUC/TCEQ regulated water utilities.

The objective of this appraisal is to estimate the current market value of the fee simple interest in Vinton Hills Alegre, LLC as a going concern. The subject is classified as a special use, limited market property due primarily to the specialized nature of the business, physical facilities and regulated status. The reader should note that this appraiser has not conducted any appraisal services for the subject in the past.

The attached complete narrative appraisal, summary report describes the data, methodology and reasoning used in the analysis. The appraisal is subject to the assumptions and limiting conditions stated in the report. The assumptions and limiting conditions should be carefully reviewed as they may affect the conclusions drawn and the final estimate of fair market value.

The research and analysis indicates, and it is the Appraiser's opinion, that the current market value of the subject property is as follows.

Having considered all the facts and analysis illustrated within this report, together with all other relevant data that may have been compiled and that is maintained in the appraiser's files, I have formed the opinion that, as of January 8, 2017, the combined market value of the three water systems making up Vinton Hills Alegre LLC is rounded to: $453,000.

This is the appraiser's narrative summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2 of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it may only present summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Where not presented directly in the report, then supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use as stated herein. The appraiser is not responsible for unauthorized use of this report.

In preparing the report, the conduct of the appraiser and all research associates has been governed by the professional standards and code of ethics of the Appraisal Institute and the Appraisal Foundation. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of stipulated result or the occurrence of a subsequent event. The investigation, analysis, property inspection and appraisal were conducted and prepared by Dr. G. Vincent Barrett, MAI, with no other significant professional assistance.

The analysis contained in this appraisal may be based upon hypothetical assumptions, and estimates where noted in the report that are subject to uncertainty and variation. These estimates may be based on data obtained in interviews with third parties or documents obtained from third parties, and such data may not always be completely reliable. In addition, the analysis may make assumptions as to the future behavior of consumers, and the general economy, which are highly uncertain by their nature. It may be that some

assumptions will not materialize and that unanticipated events may occur that could cause actual achieved results to differ from the analysis contained in this report. These differences may be material. Therefore, while the analysis was conscientiously prepared on the basis of experience and prudent research of the available data no warranty can be made of any kind that the projected results will, in fact, be achieved.

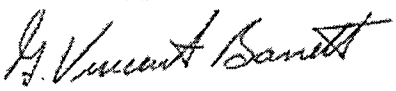
Additionally, Barrett Appraisal Services, LLC has not been engaged to evaluate the effectiveness of management/marketing, and is not responsible for future management/marketing efforts and actions upon which actual results may depend. Nor did we ascertain the legal, engineering, and regulatory requirements that may be applicable to the property, including zoning certification and other state and local government regulations, permits and licenses. No effort has been made to determine the possible effect on the property of present or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to market demand analysis, our work did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.

The appraiser has satisfied all competency requirements of USPAP and the Appraisal Institute and states that he is qualified to conduct the appraisal assignment. All FIRREA and USPAP research and reporting guidelines have been met. Additionally please note that it is assumed that any authorized reader of this report is familiar with the PUC/TCEQ and the regulatory environment that impacts regulated utilities in Texas, the physical and financial operations of water utilities, water rights issues in Texas and disputes and litigation if any impacting the subject. An in-depth discussion of these issues is beyond the scope of this appraisal.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and addenda.

Barrett Appraisal Services, LLC appreciates the opportunity to be of service to you. Should you or any other authorized user of this appraisal have further questions arising from the report, they will be welcomed.

Barrett Appraisal Services, LLC



Dr. G. Vincent Barrett, MAI

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EXECUTIVE SUMMARY

Appraiser: Dr. G. Vincent Barrett, MAI
Barrett Appraisal Services, LLC
505 Hwy 195, P.O. Box 1244
Elephant Butte, NM87935

Client: Vinton Hills Alegre, LLC
P.O. Box 428
Anthony, NM 88021-428
c/o Bruce Bonestroo, Owner/Manager
Also: Karl Schneider-Manager/Operator
Schneiderbrenda728@gmail.com

Type Report: Commercial Appraisal Report/Revised 9/22/2019

Report Format: Narrative, Appraiser's summary

Subject: Vinton Hills Alegre, LLC a water utility, is a privately owned, PUC/TCEQ regulated water system serving an area within the municipal boundaries of the Village of Vinton Texas which had a population in 2010 of approximately 1,971. VHA, LLC operates with the CCN # 12563. The Village lays mostly West of Interstate 10 at Exit 2 and just south of the City limits of Anthony NM/Texas and just to the NW of El Paso, Texas. At the current time there are approximately 285 active connections being served as reported in the 2016 PUC filings.

There are three separate water systems that make up the Vinton Hills Alegre, LLC water utility. The systems are identified as:

1. Vinton Hills ----------195 meters
2. Vinton Village Estates---- 83 meters
3. Villa Alegre ----------25 meters

Appraisal Assignment: The appraisal assignment as interpreted by the appraiser is to determine the Market Value of the subject water utility system in its "as is" condition considering the possible sale to a non-regulated entity. These constraints limit the appraisal to consisting of the owned land, the entirety of the physical plant, and other assets of the utility, including but not limited to wells, water rights, reservoirs, pipes, valves, hydrants, meters, other fixed equipment, easements, service agreements, customer lists, certificate of convenience and necessity and all other assets of the Utility as a going concern, excluding motor vehicles and other moveable equipment and as well not taking into account any liabilities necessarily associated with those assets, and excluding any liabilities unique to Vinton Hills Alegre, LLC which would not normally be acquired by a purchaser of the utility through a negotiated sale or condemnation.

Location: The service area lies within the NWC, with a small component in the SEC of the incorporated area of the Village of Vinton, Texas. Vinton is a small incorporated area of approximately 2.4 sq. miles with a 2010 population estimated at 1,971. Vinton is located West of Interstate 10 at Exit 2 and just1.5 miles south

of the NM/Texas border and 1 mile south of the City limits of Anthony NM/Texas and just to the NW of El Paso.The Rio Grande adjoins the west line of the community along Doniphan Dr

Intended Use: The intended use of this appraisal is for use by the client for asset review and sale/purchase negotiations with any and all potential buyers of the system. It is not to be relied upon by any other unauthorized third parties for any purpose, whatsoever.

Intended User: The intended user of this report is the above client and no others. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the Appraiser's or Firm's client through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the author, particularly if connected, or any reference to the Appraisal Institute or the Appraisal Foundation. *Further, the Appraiser or Firm assumes no obligation, liability, or accountability to any third party. A third party being defined as anyone but the client.* If this report is placed in the hands of anyone but the client, the client shall make such party aware of all the assumptions and limiting conditions of the assignment. The fact that any other party may be in possession of this report or a copy thereof does not constitute an intended user. While the public is not an intended user of the appraisal report the Freedom of Information Act (FOIA) and client actions or policies may result in the release of all or part of the appraisal report to others, the appraiser assumes no accountability or responsibility to any others.

Any use of or reliance on the appraisal by any party, regardless of whether the use or reliance is authorized or known by the appraiser constitutes acceptance of and is subject to, all appraisal statements limiting conditions and assumptions stated in the appraisal report. ***This report is intended to be "Confidential" between the appraiser and the intended user.***

Appraisal Statements and Conditions: The appraisal performed under the engagement agreement with the client will be subject to all statements, assumptions, limiting conditions and other conditions set forth in the appraisal report. Client/Intended Users agree that they will review the appraisal conditions upon receipt of the report and that Client/Intended user's use of the appraisal will constitute acceptance of the Appraisal Conditions. The Appraisal Conditions shall be considered as being incorporated into and forming part of the engagement agreement with respect to this appraisal and to any other services related to this appraisal. Appraiser's Appraisal Conditions are incorporated herein as set forth in the report.

Purpose of Appraisal: The purpose of the appraisal is to determine the current "as is" Market Value of the subject property.

Water Rights: Water rights if any that may be associated with the subject are not considered separately in the appraisal.

Mineral Rights: Mineral rights if any are not considered.

Extraordinary Assumptions: None

Hypothetical Conditions: See Discussion of DCF model herein.

Highest and Best Use:	As developed	
Ownership interest appraised	Fee simple	
Market Data (All Systems):	Total wells	3
	Wells In Service	3
	Est. 2016 water pumped	37,803,000 gallons.
	2016 Customer Base,	285
	Est. Customer Base –Water by 2037	304
	Holding Period for DCF Model	20 years
	2016 Utility Gross Revenues m/l	$78,263
	Direct Capitalization Rate	8.0%
	DCF Yield Rate	6.8%
	DCF Terminal Cap Rate	8.5%

Summary of Valuation Analysis:

Having considered all the facts and analysis illustrated within this report, together with all other relevant data that may have been compiled and that is maintained in the appraiser's files, I have formed the opinion that, as of January 8, 2018, **the combined current market value of the subject water systems d/b/a Vinton Hills Alegre LLC is rounded to: $453,000.**

Non-Regulated Market Value

Water and Sewer Non-Regulat	Indicated Value	Weight	Weighted Values
Cost	$452,000	30%	$135,600
Sales	$424,000	20%	$84,800
Income	$465,000	50%	$232,500
Market Value:Non-Regulated		100%	$452,900
Rounded			**$453,000**
Per Connection			**$1,589.12**

Section I

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Preface

SECTION I PREFACE

The preface to the report contains the various maps and photographs that relate to the property and its environment. They should be reviewed prior to the reading of this report. They will be referenced by Figure number where appropriate throughout the narrative part of the appraisal. Detailed maps and other figures are contained in the body of the report where necessary for clarification or illustrative explanation.

FIGURE 1-1 REGIONAL LOCATION MAP

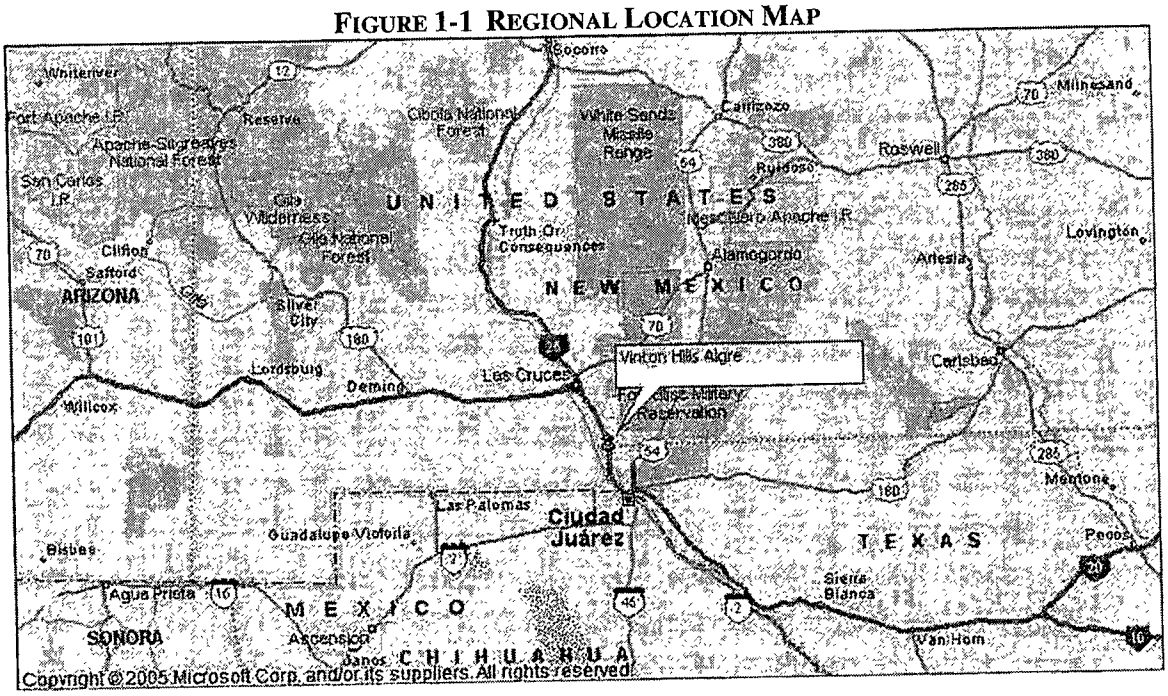


FIGURE 1-2 METROPOLITAN AREA MAP

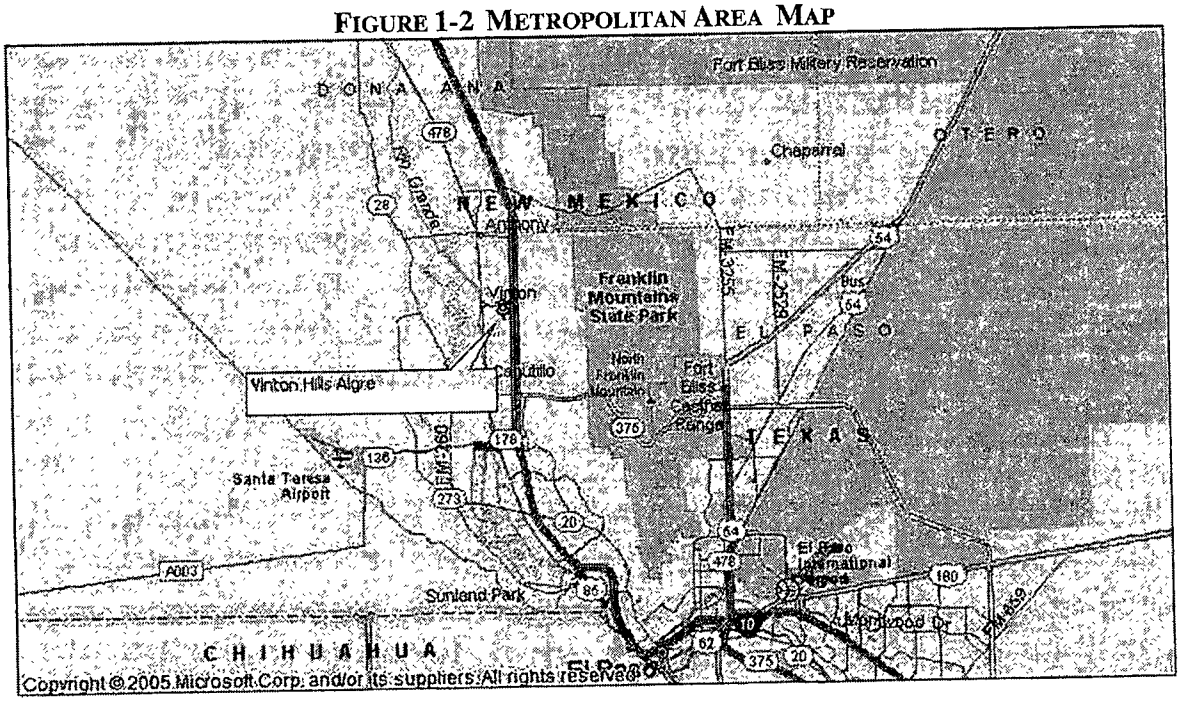


FIGURE 1-3 NEIGHBORHOOD AREA MAP

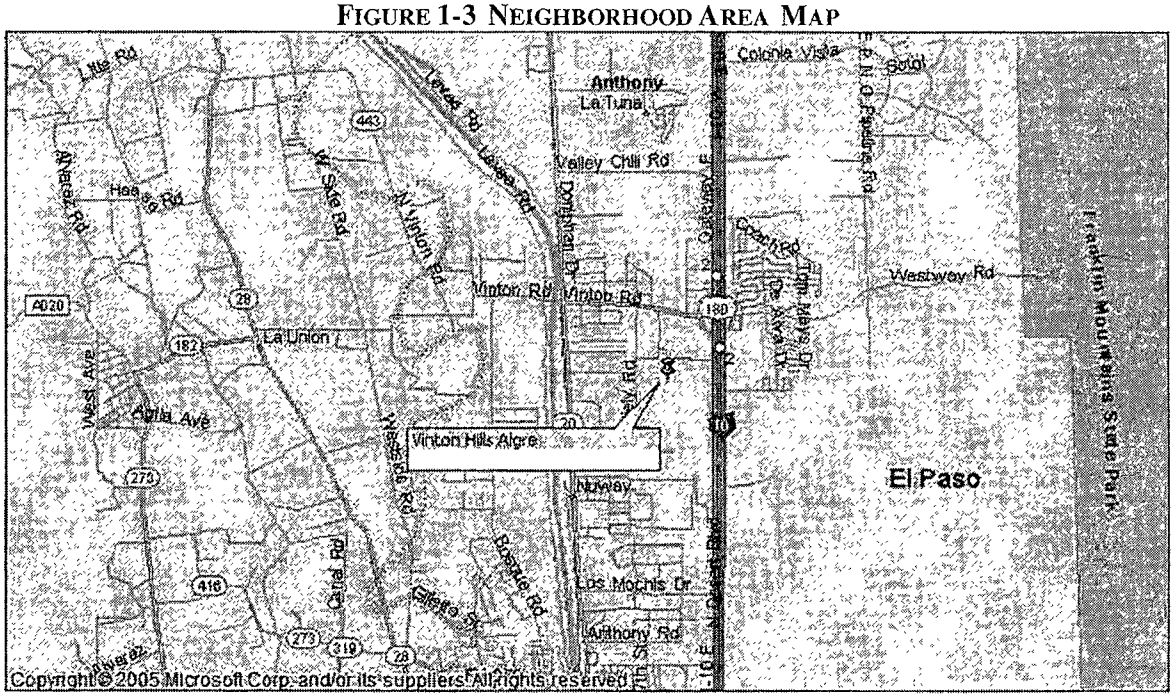


FIGURE 1-4 STREET LEVEL MAP

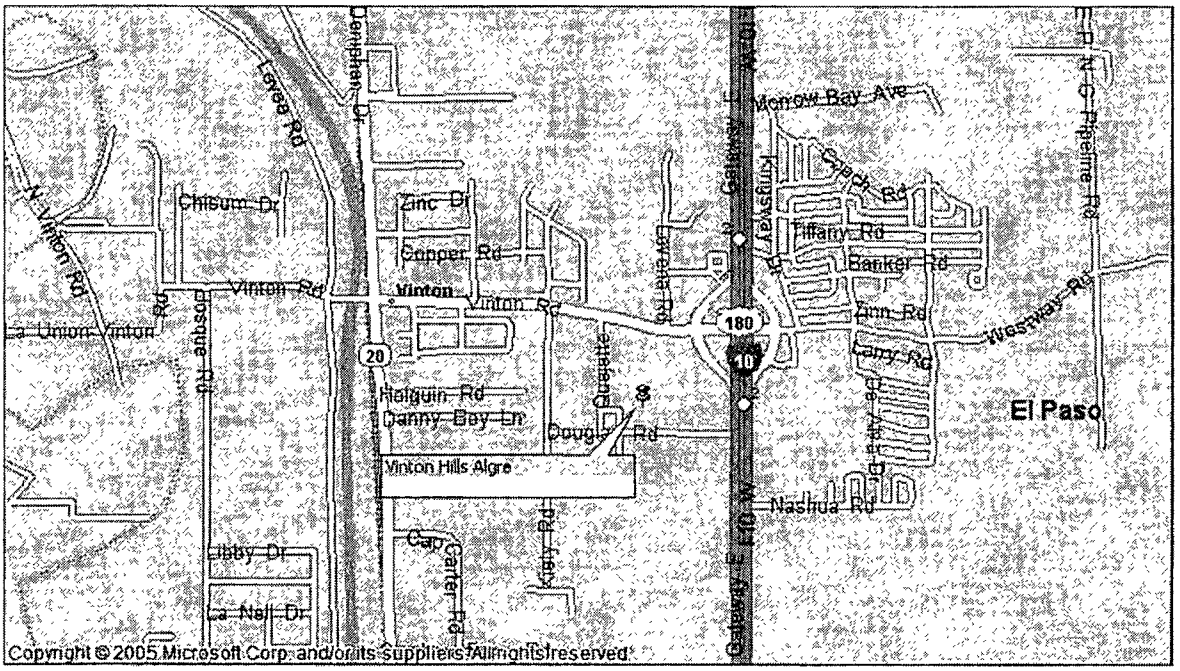


FIGURE 1-5 VINTON VILLAGE LIMITS

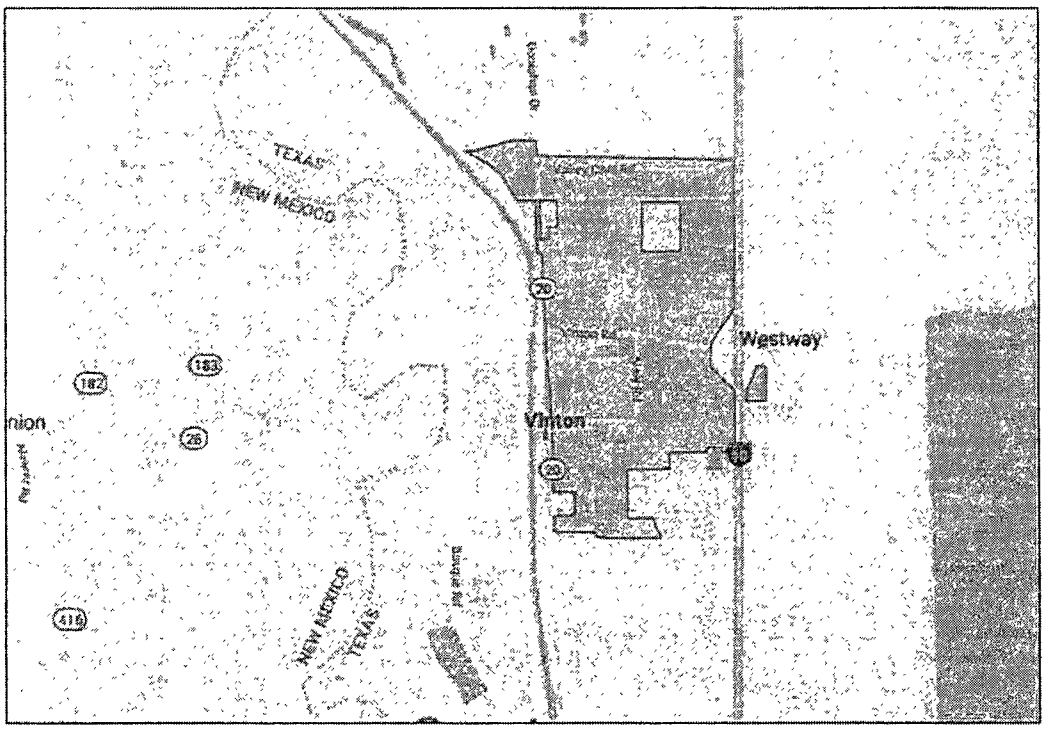


FIGURE 1-6 AERIAL MAP OF GENERAL SERVICE AREA & WELL LOCATION

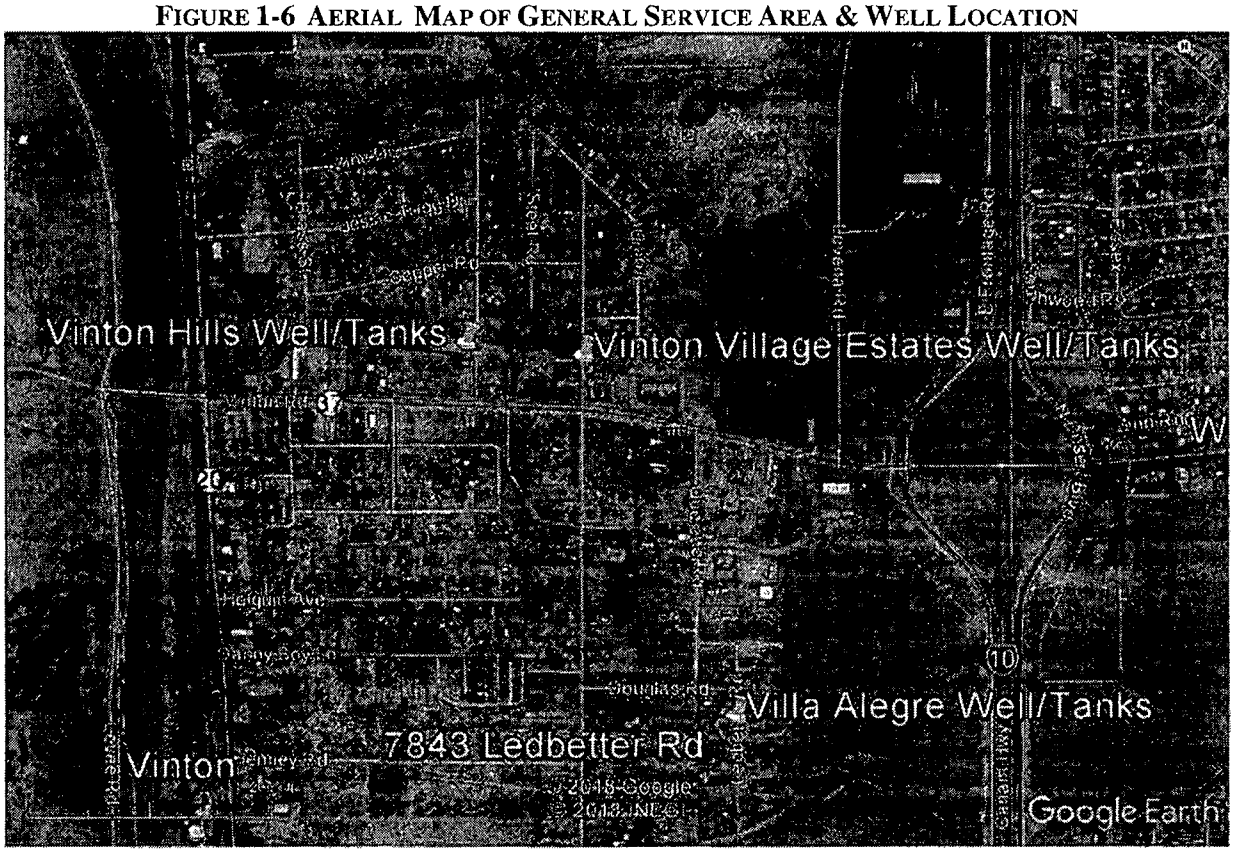


FIGURE 1-7 SYSTEM AREA PLAT

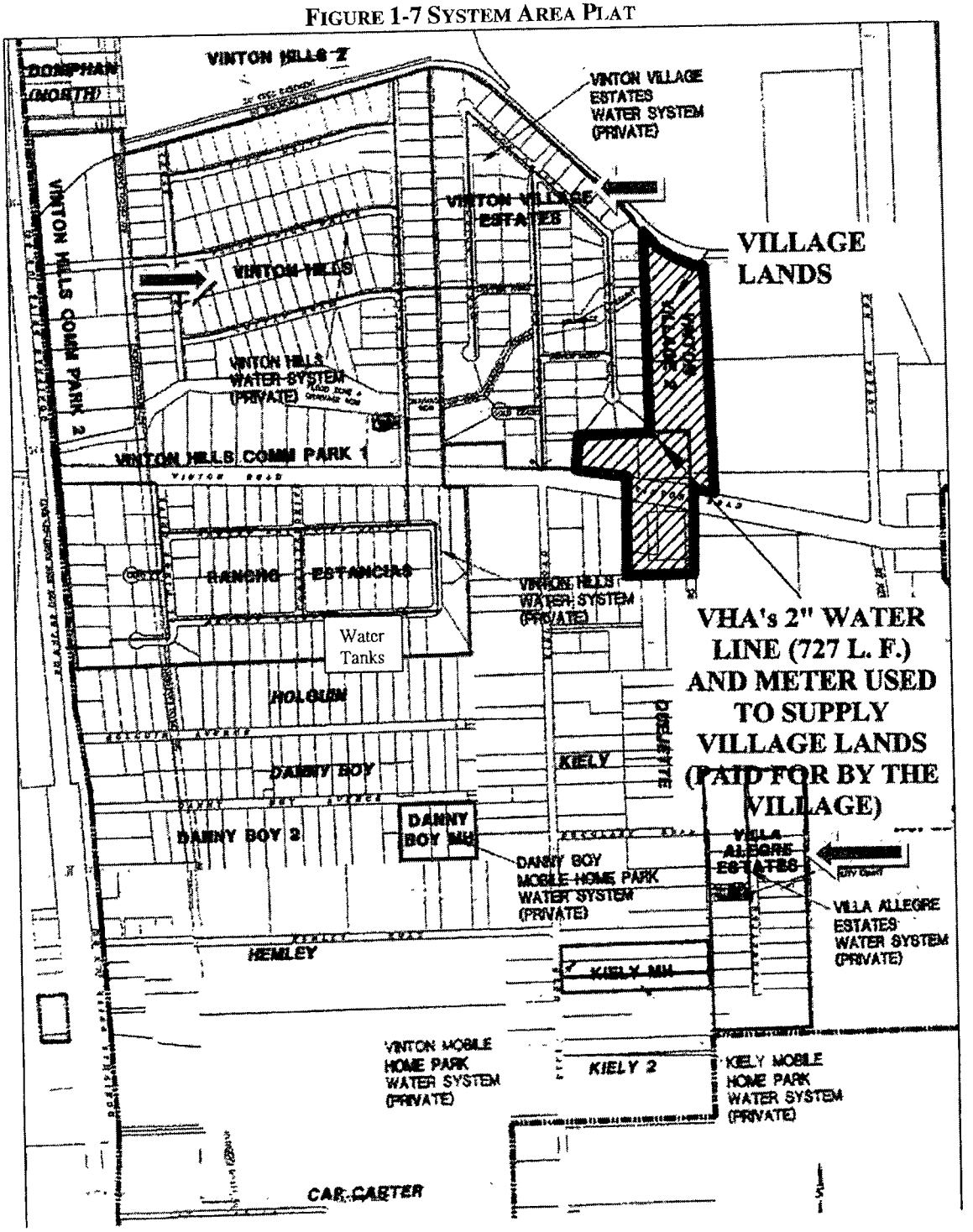


FIGURE 1-8 VINTON HILLS PLAT

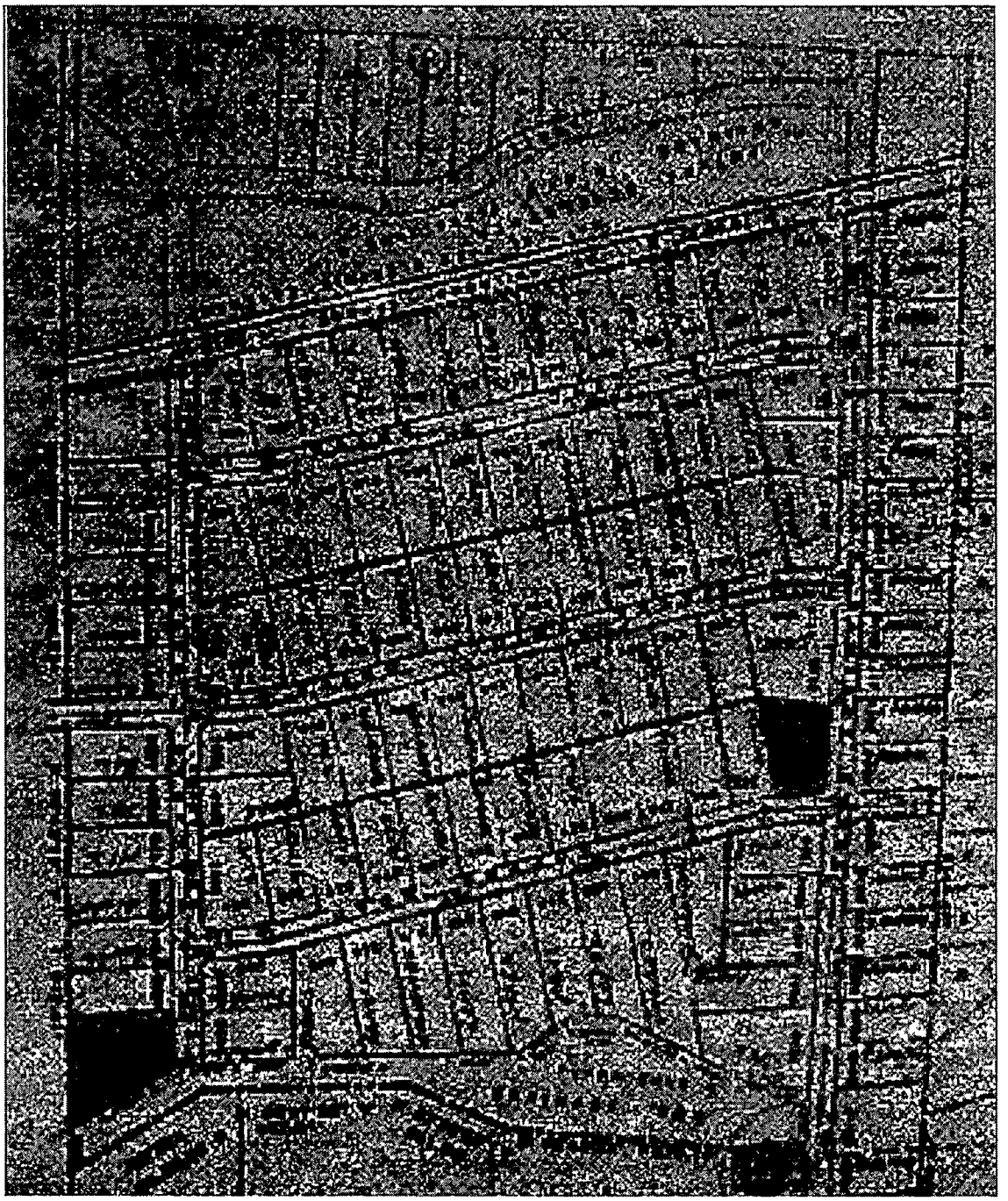


FIGURE 1-9 VINTON VILLAGE ESTATES

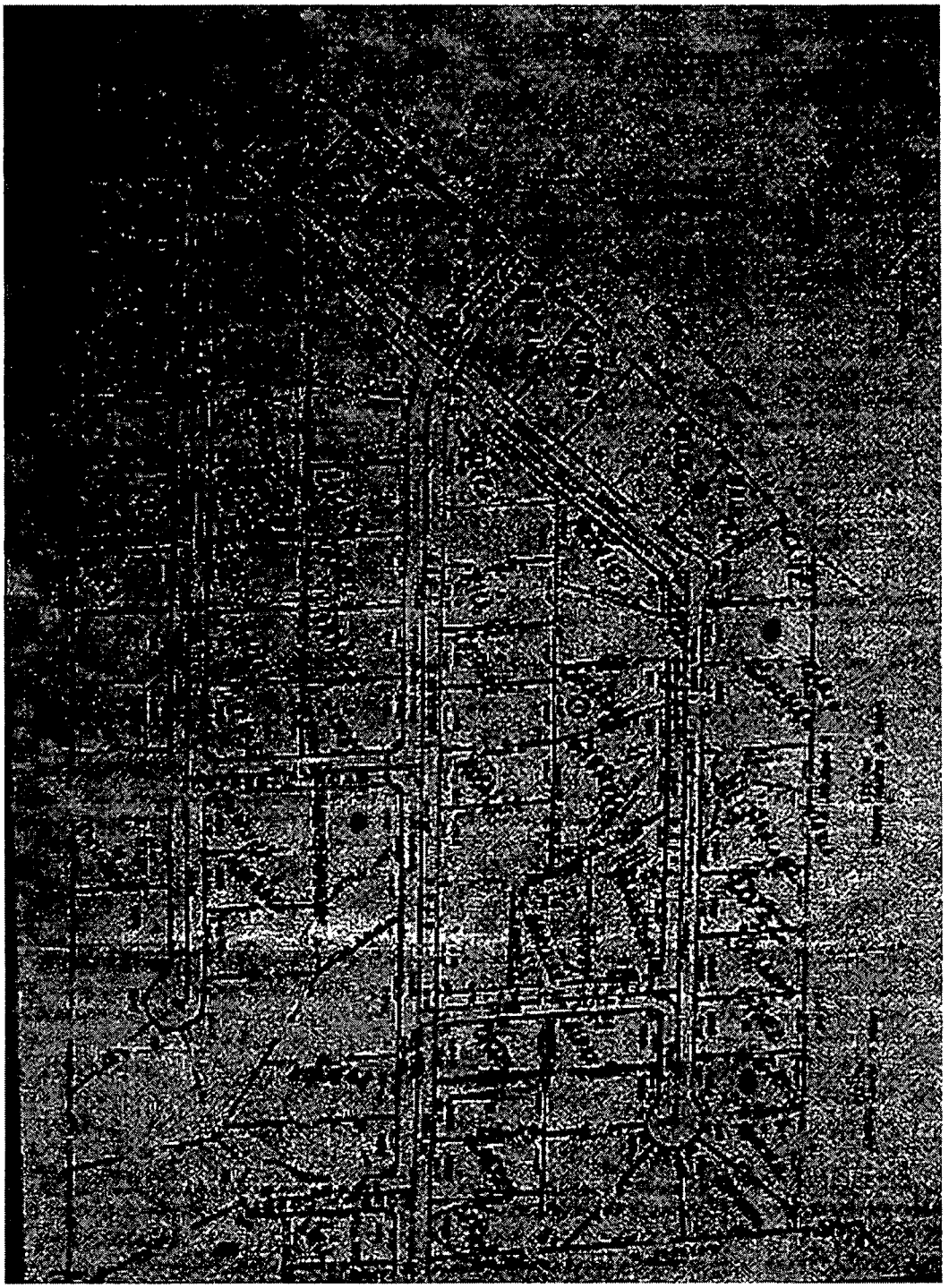


FIGURE 1-10 VILLA ALEGRE

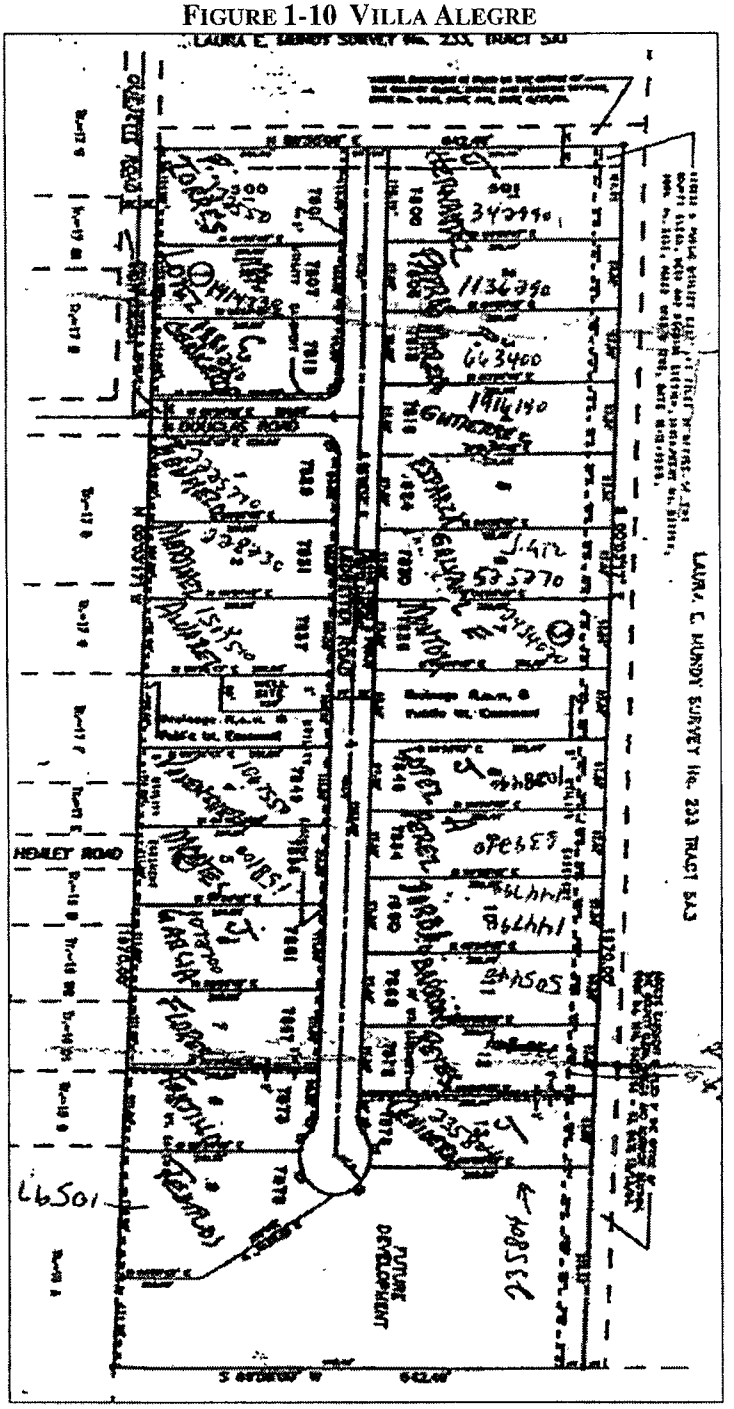
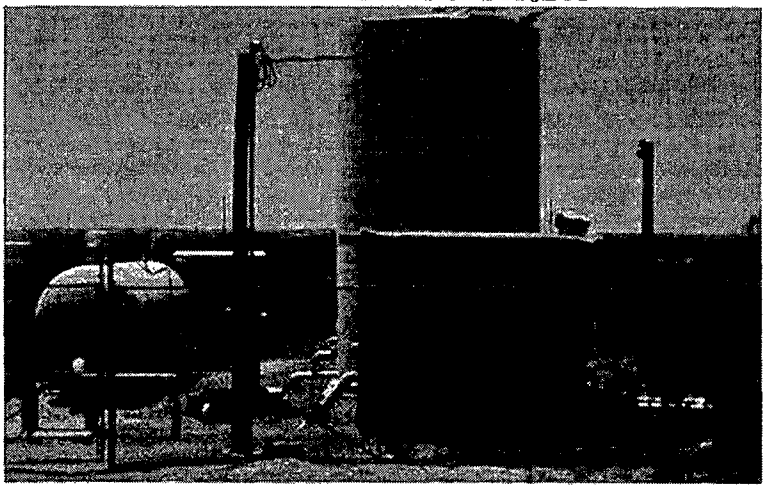
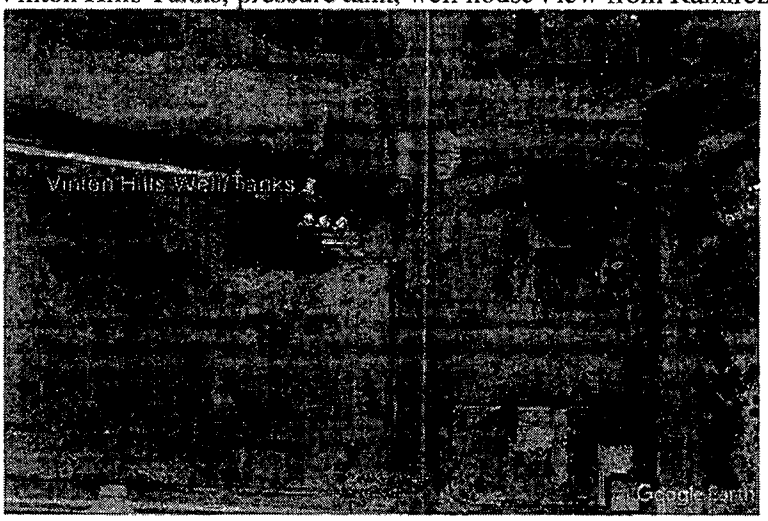


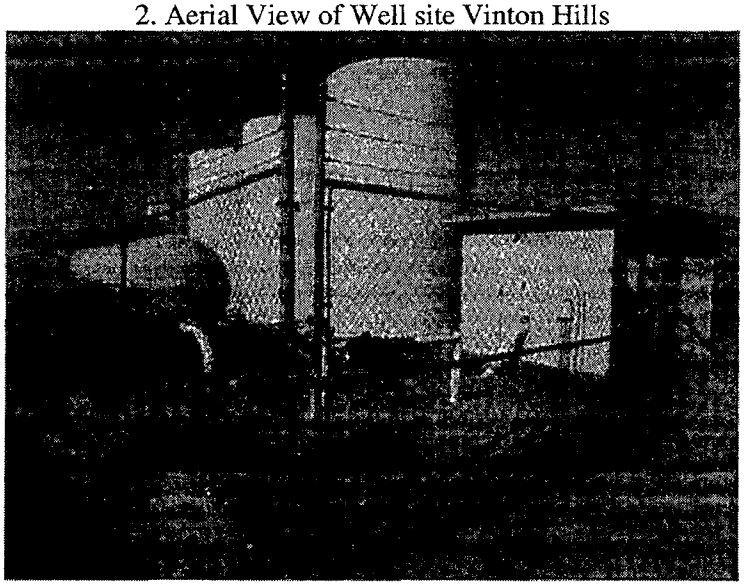
FIGURE 1-11 PHOTOS OF SUBJECT



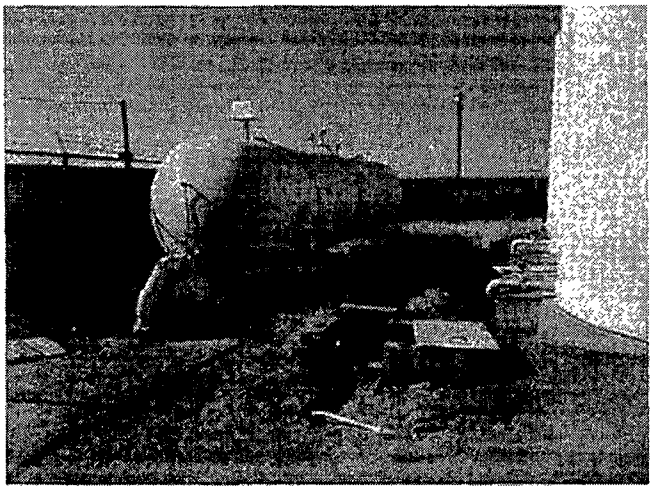
1. Vinton Hills Tanks, pressure tank, well houseView from Ramirez Rd



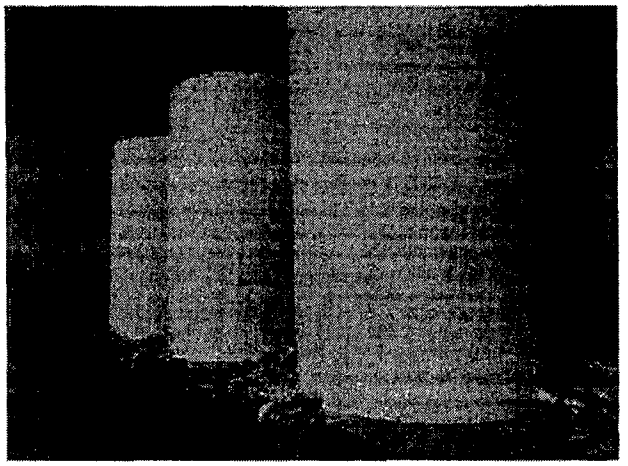
2. Aerial View of Well site Vinton Hills



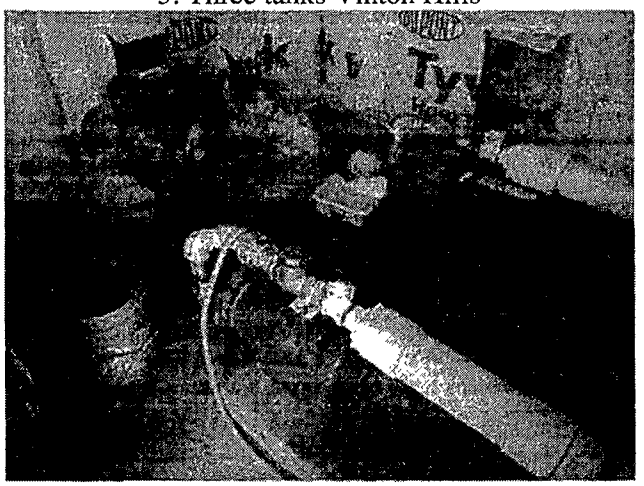
3.View of Vinton Hills System



4. Pressure tank Vinton Hills

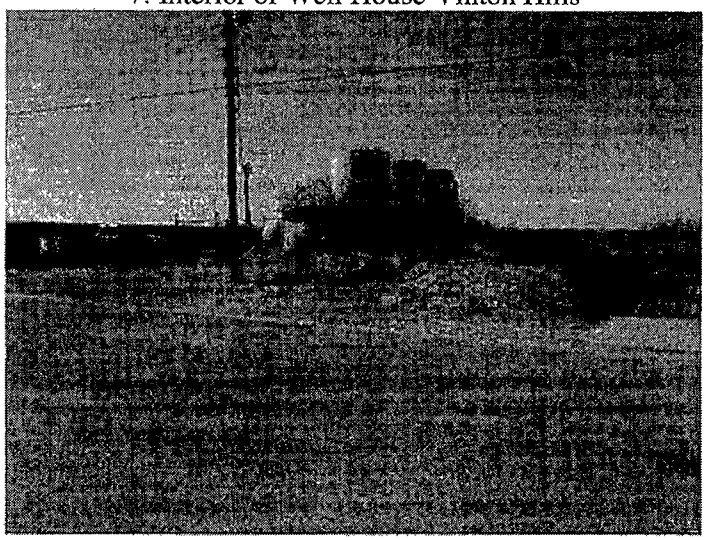


5. Three tanks Vinton Hills

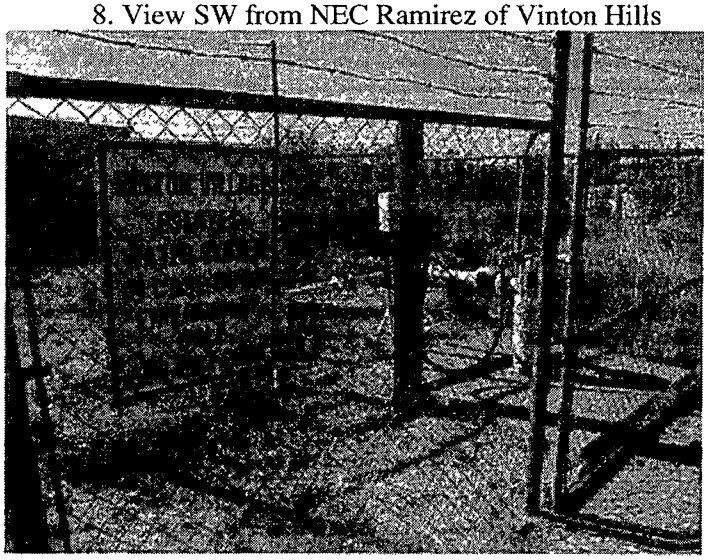


6. Interior of Well House Well, pumps related Vinton Hills.

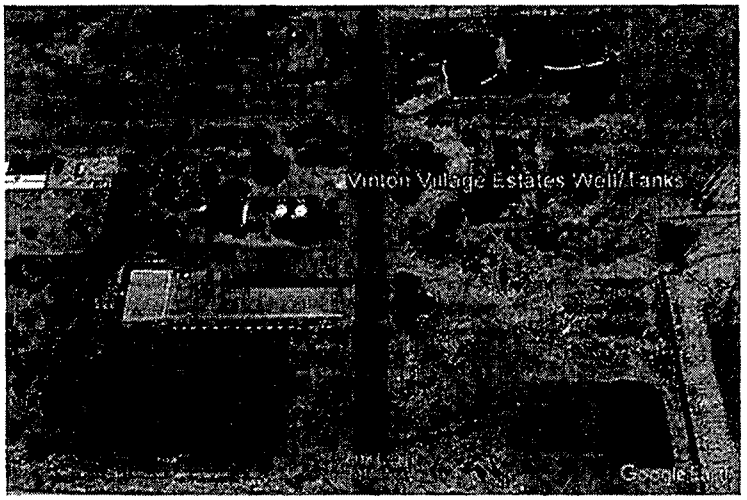
7. Interior of Well House Vinton Hills



8. View SW from NEC Ramirez of Vinton Hills

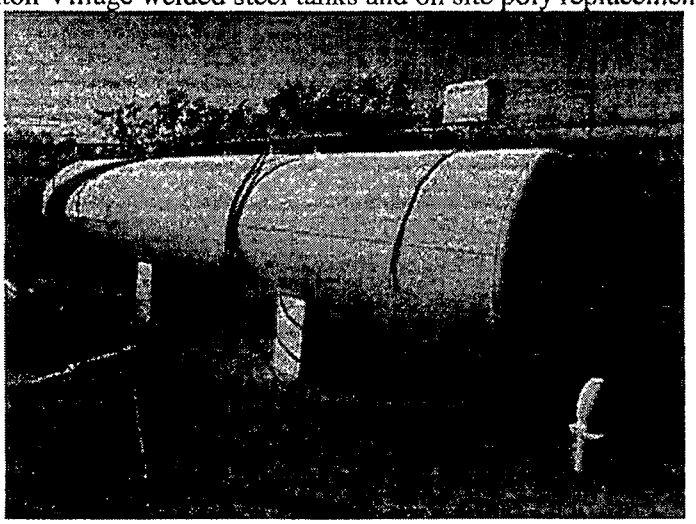


9. Vinton Village well site

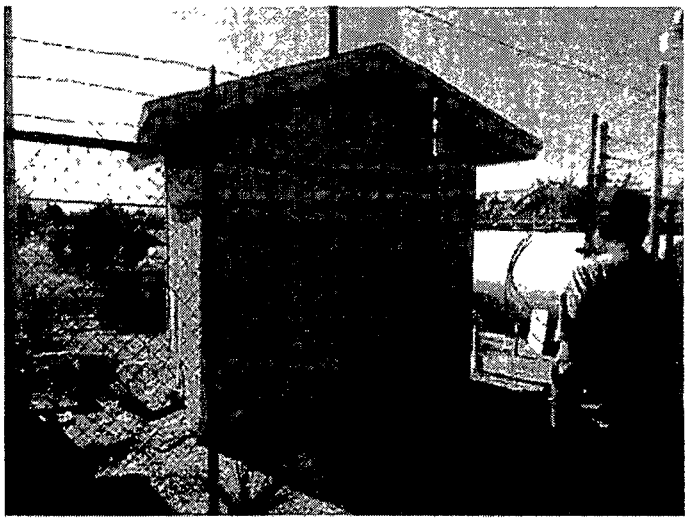


10. Aerial of Vinton Estates

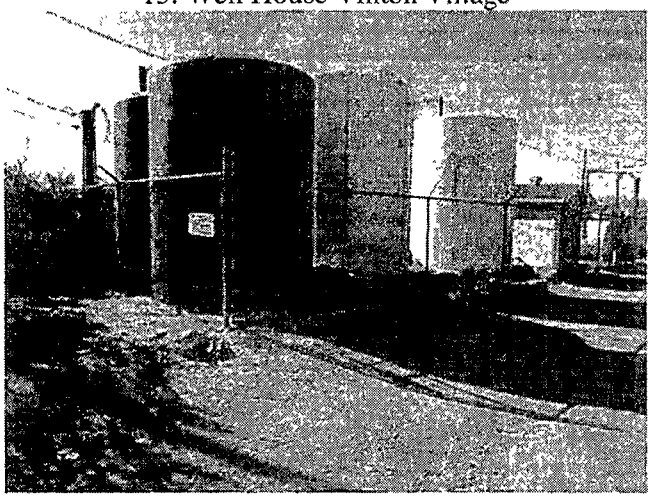
11. Vinton Village welded steel tanks and on site poly replacement tanks



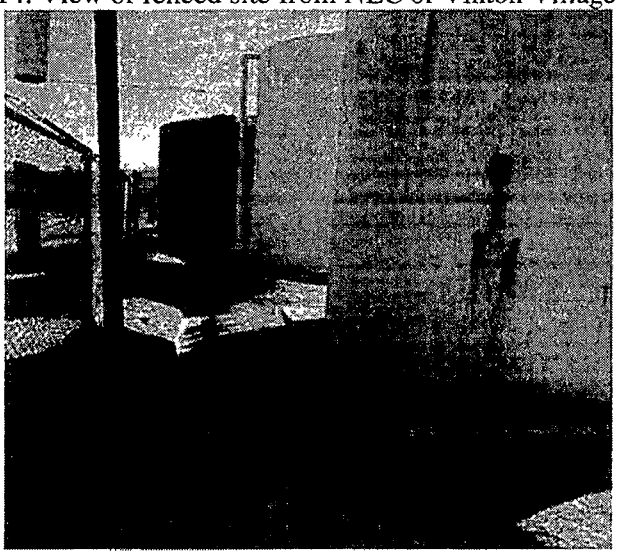
12. Pressure tank for Vinton Village



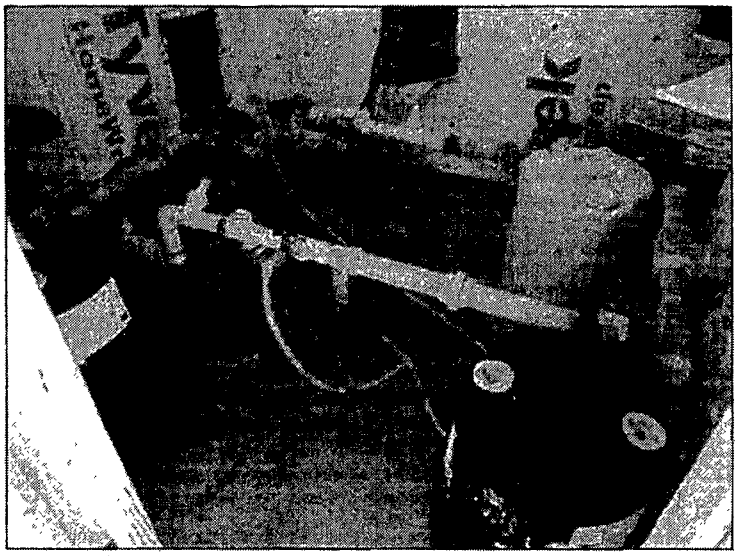
13. Well House Vinton Village



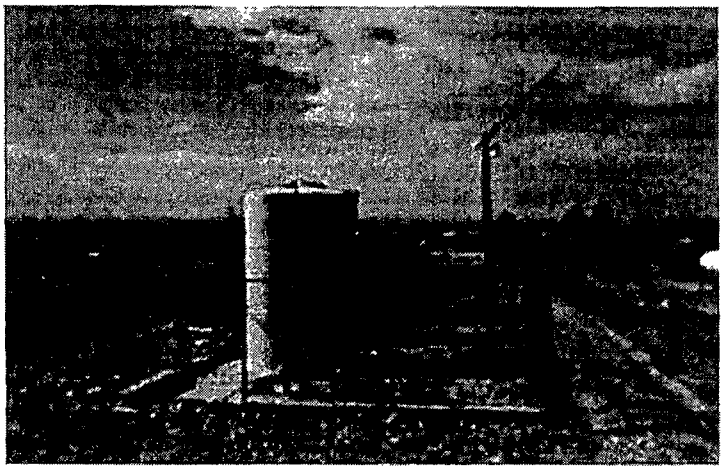
14. View of fenced site from NEC of Vinton Village



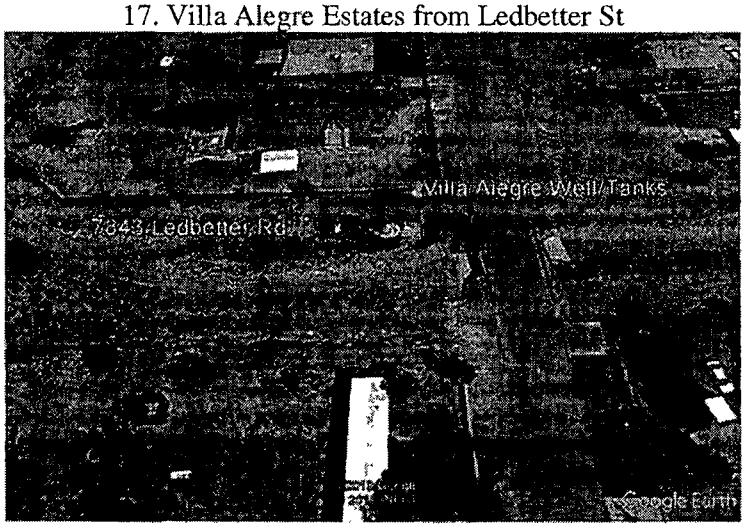
15. Typical leaks in tanks and reason for poly tank replacement



16. Pumps and related equipment Interior of pump House Vinton Village

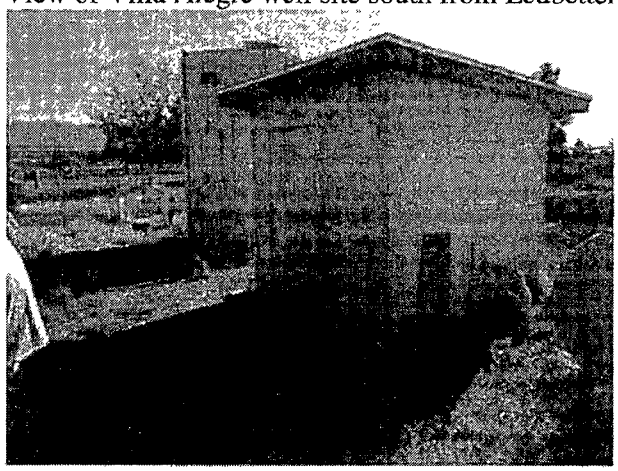


17. Villa Alegre Estates from Ledbetter St

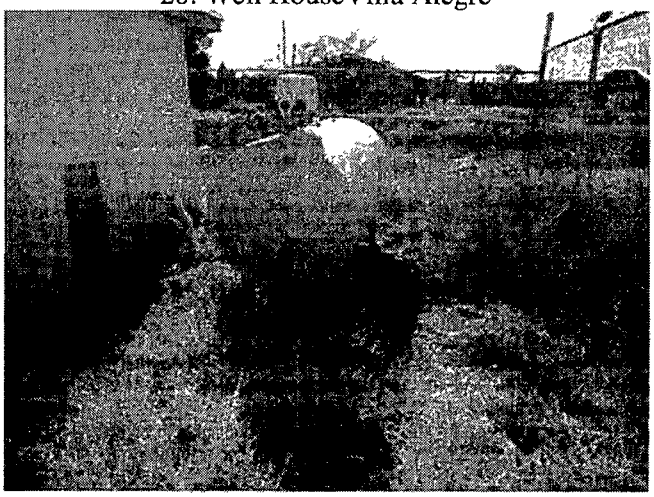


18. Aerial of Villa Alegre

19. View of Villa Alegre well site south from Ledbetter Rd

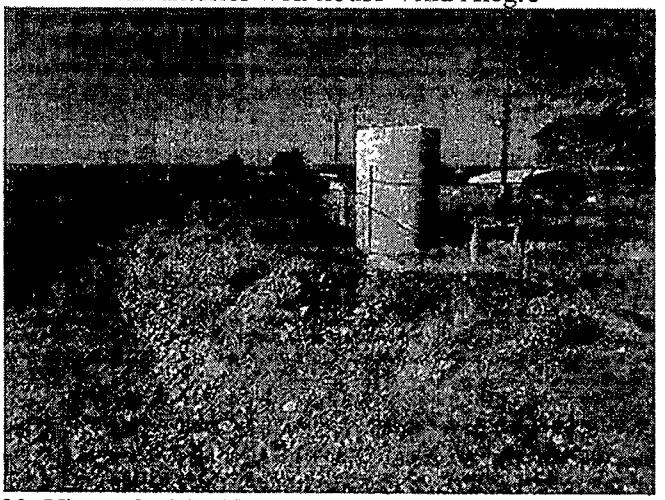


20. Well HouseVilla Alegre



21. Pressure tank Villa Alegre

22. Interior well house Villa Alegre



23. View of Villa Alegre from adjoining drainage canal

24. View north along Ledbetter from Villa Alegre well site

Section II

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Introduction

SECTION II INTRODUCTION

1. IDENTIFICATION AND HISTORY OF THE SUBJECT PROPERTY

Vinton Hills Algre, LLC is a privately owned, PUC/TCEQ regulated water system with a Certificate of Convenience and Necessity (CCN # 12563), serving primarily residential customers in its service area that is within the municipal boundaries of the Village of Vinton Texas which had a population in 2010 of approximately 1,971. The Village lays mostly West of Interstate 10 at Exit 2 and just south of the City limits of Anthony NM/Texas and just to the NW of El Paso, Texas. At the current time there are approximately 285 active connections being served as reported in the 2016 PUC fillings.

There are three separate water systems that make up the Vinton Hills Alegre, LLC water utility. Public water systems in Texas are assigned seven digit IDs. All of the Public Drinking Water Section correspondence and documentation reference this PWS ID. The first three digits in the PWS-ID represent the Texas County where the facility is located. Texas 254 counties are numbered alphabetically from Anderson (001) to Avala (254). The systems are identified as:

1.Vinton Hills ----------195 meters PWS # Tx 0710172
Well Location Legal: Vinton Hills Commercial Park #1 Lot 12
Street Address of Well and related: 8021 A.P. Ramirez Street, Vinton, Texas

2. Vinton Village Estates---- 83 meters PWS # Tx 0710151
Well Location Legal: Vinton Village Estates Lot 1
Street Address of Well and related: 3490 Gold Ct, Vinton, Texas

3. Villa Alegre ----------25 meters PWS # Tx 0710169
Well Location Legal: Villa Algre Estates 2, Lot 3A
Street Address of Well and related: 7843 Ledbetter Rd Vinton, Texas

The three systems were originally built to serve the three separate residential subdivisions that were being built out at the time. The first well of the system was drilled in late 1993 for Vinton Village Estates, The second was the adjoining Vinton Hills well and distribution system put in place in circa 1996 as was the Villa Alegre Estates system in the same 1996/1997 time period. The three subdivisions with their separate water systems had average lot sizes on the order of 2/3 to 3/4 acre sufficient in all cases to meet the Texas requirements for individual septic systems. There are currently three wells that are part of the system, i.e., one for each of the systems. However, Vinton Hills and Vinton Village Estates are connected by a cross valve that if necessary could have a connected system or any one of the two wells serve both areas. Although connected they currently operate independently as separate systems. Although all three systems operate under consolidated rates, management and ownership the appraiser has been requested to place a value on the separate systems as well as a combined value.

The system has the potential for an expansion of approximately 46 additional residential connection which will likely be within the area north of Vinton Village Estates and Vinton Hills. Discussions with the management indicate that the general growth in the area is slow and it is estimated that only one+- additional connection per year could be reasonable expected.

All three wells have low arsenic and uranium levels which is a positive factor for the area and the systems appear to be in full regulatory compliance with the EPA as well as the PUC and TCEQ.

According to PUC/TCEQ records for the year 2016 the water system had pumped for that year approximately 39,649,600 gallons with 37,013,333 being actually billed with the difference of 2,636,245 gallons being considered leakage. On a system comparative basis the 5% +- leakage is considered small to normal percentage. The billed figure amounts to 129,871 gallons per customer or approximately .398 of an acre foot which also is a normal figure for comparative systems.

2. SERVICE AREA AND DEVELOPMENT CONSTRAINTS

Vinton Hills Algre, LLC is a Class C retail public water utility having a Certificate of Convenience and Necessity (CCN # 12563) issued by the Texas PUC (Public Utility Commission) to serve primarily residential customers in its service area that is within the municipal boundaries of the Village of Vinton Texas and further described above and illustrated below in Figure 2-1.

igure 2-1 Vinton Hills Alegre LLC Service Areas

Under Texas law a "public retail water system" provides potable water for the public use. A system must be of a certain size to be considered public, it must have at least 15 service connections or serve at least 25 individuals for at least 60 days out of the year. There are three classes of retail public utilities in Texas:

1. Class A Utility—A public utility that provides retail water and or sewer service to 10,000 or more taps or active connections considering both water and sewer connections.

2. Class B Utility—A public utility that provides retail water or sewer service to 500 or more taps or active connections considering both water and sewer connections.

3. Class C Utility—A public utility that provides retail water or sewer service to fewer than 500 taps or active connections considering both water and sewer connections. A class C utility filing under an application under TWC 13.1871 shall be subject to all requirements applicable to Class B utilities filling under TWC 13.1871.

The appraiser has not been provided with any engineering data assessment on the current physical status of the Utility. However, the operator of the system reported to the appraiser that the system although in general regulatory compliance does not meet the system requirements of the El Paso Water Utilities who is the local adjoining water provider.

By the end of 2016 as reported to the PUC there were 285 customers on the water system using approximately .398 acre feet per connection. At end of the year 2010 the system reported to have 270 connections and by years end 2016 the system reported 285 active connections which suggest an average increase of 2.5 connections per year although the bulk of the increase occurred in the three preceding years. However, the research indicates that although the current service area is experiencing a slow down in growth due the economic down turn that started in 2008 the growth could pick up significantly in the foreseeable future given the growth expected in southern Dona Ana County NM and as well as El Paso Texas to the immediate south. The system could reasonably expect its household connections to increase by one or two per year over the next 20 years or so. It is clear that the current well capacity is sufficient to handle this modest projected growth in the service area.

3. Purpose and Scope of Work of the Appraisal

The purpose of this appraisal is to estimate the current market value of the fee simple interest in the going concern referred to as Vinton Hills Alegre, LLC. The use of the appraisal is for the client to use in determining asset value and a possible purchase price negotiations for the Utility as a whole. It is the appraiser's understanding as explained to him by Karl Schneider the manger of the system that the Village of Vinton a non-regulated non- public utility is considering the purchase of the subject water system. The intent of the Village administration is to upgrade the whole of the Village water system of which Vinton Hills is a significant part. It is proposed that the entire water system of the Village be replaced including the subject and interconnected with the to code and regulatory compliant El Paso Water Utility (EPWU). The Village, as part of the plan, has proposed to purchase the subject CNN/system and during the remodel and conversion will have a qualified operator such as the current management or possible EPWU manage the system. The Villages's plan for the subject system is to replace the distribution system and other upgrades and move to the

water provided by EPWU and have EPWU manage and operate the Village of Vinton's water system on a cost basis. The Village of Vinton a non-regulated entity will be the owner of the system and apply applicable rates. Although the Village is technically only interested in purchasing the CNN the actuality is that the physical system and CNN will of necessity be part of any purchase. Thus the market value of the system will be based on the value to the current owners under the current regulated environment but considering that the demand for the system is by and large coming from a non-regulated, non-retail water entity. Hence the negotiations are not restricted by any rate based, original cost minus depreciation calculations but rather on those methods that most closely resemble "market value", i.e., the typical cost approach, the market comparison approach and the income capitalization methods.

Bear in mind that most regulated and non-regulated utilities are monopolies in their local areas. Thus when the utility is itself a regulated facility and the potential buyers are also regulated then the only value that is of concern is that value which can be calculated based on the asset's depreciated rate base. However, when the demand side of the market is populated with regulated and non-regulated buyers then the issue becomes one of market value, i.e. a market devoid of regulation.

The scope of the appraisal then will include the three accepted approaches to value which are the Cost, Sales Comparison and the Income capitalization approaches as they relate non-regulated markets. Given the complexity of these valuation processes a detailed explanation of the scope or the process is presented below.

Utilities are known as "special purpose" properties because they are associated with a limited and very specific market of potential users and investors. Utility assets are specifically constructed to conform to unique physical and functional requirements. These physical and functional requirements are very different from the requirements associated with typical commercial facilities. For example, when a local real estate market is in transition, it is not unusual for certain types of industrial buildings to be converted into low or medium-quality office space, or vice versa. However, as a special purpose use, it is improbable that a utility property will be converted to an alternative use because of the unique functional and physical characteristics associated with this class of properties. Also while typical commercial properties are "free standing" buildings and are not functionally dependent on the existence of other properties to operate. Utility properties typically rely on a spatially distributed infrastructure such as wells, poles, wires, pipelines, right-of ways and easements which are "functionally" integrated with other external property and buildings. Each external component's value is contributory and enables the entire infrastructure to operate. Thus the value of any one component of a utility is best understood by studying the whole of the asset. This is because the isolated valuation of any one component would fail to capture the underlying synergy and long-term viability of all the assets. Alternatively the combine value of the component parts may be equal to or less than the value of the whole.

Therefore, while standard appraisal concepts do apply to utility properties, some significant methodological qualifications apply to the typical methods that are generally known as (1) "*unitary method*" which may be defined as "An appraisal of an integrated property as a whole without any reference to the value of its component parts. It is to be distinguished from (2) a *fractional method*, which is a valuation of one of the parts without reference to the value of the whole and from the (3) *summation method* which is a valuation of the whole derived by combination of two or more fractional values. *The "Unitary Method" then*

is the platform for this reports application of the traditional valuation techniques referred to above, i.e. the Cost, Sales Comparison, and Income approaches to value. This is the typical approach used by states property taxing authority for utilities that cross state lines and/or county lines

A brief explanation of each appraisal method used and their respective strengths and weaknesses as they relate to regulated and non-regulated utilities follows.

Cost approach to value: This approach considers the depreciated cost of the assets, plus land and in some cases water rights. The relevance of a cost approach seems intuitive, because a property's value should be similar to what someone paid to build it. When the property is new, this may be true. However, even at this initial point in time, the market perceived value might not equal cost. In general though, when discussing the cost approach it is important to consider the particular market the utility is associated with.

When considering any regulated utility that is required to comply with rate-base requirements associated with the Public Utility Commission (PUC/TCEQ) the relevance of the cost approach is treated differently than for the non-regulated market. This is because the subject is a part of the sub-market of regulated utilities which attaches significant relevancy to the prevailing "rate-base" established by the PUC/TCEQ and to the elements of consideration that the PUC/TCEQ relies on to derive the rate-base for a regulated utility. These elements of consideration, in the opinion of the appraiser, are by far more closely identified with the cost approach than the income or sales comparison approach. Also because the "rate-base" approach is very similar to a cost approach, it is reasonable that additional emphasis may be attached to the cost approach, in the regulated environment.

However, even in the non-regulated market there are at least two significant reasons why the non-regulated market attaches reservations to relying on the cost approach as the primary basis for determining value. 1) All three types of depreciation ("physical", "functional", and "economic/external") must be considered, and these estimates can be very speculative. Of the three types of depreciation, physical depreciation is generally the most apparent and best understood. However, functional and economic/external depreciation which almost always impact a utility and may be found in the context of an analysis of the utility's cash-flow are generally difficult to quantify. 2) Most commercial appraisers will evaluate a utility the way an investor would and few investors utilize the Cost approach as the primary basis for negotiating their purchase price in the non-regulated market.

Although problematic, replacement costs and depreciation will be studied in this analysis in order to determine the market value of the property utilizing the cost approach methodology even though their determination is difficult no matter whether the utility is new construction or not new and that may have components that date back many years. The issue of depreciation becomes particularly difficult to assess and this becomes doubly so due to the fact that utility facilities are typically impacted by not only physical depreciation but also functional as well as economic obsolescence due primarily to the specialized nature of the equipment, environmental conditions such as water quality, and the utility business itself.

The cost approach must also consider the four basic components to any water system i.e., (1) the physical system such as wells, storage tanks, pipes valves, etc, (2) Then there is the owned land on which the

components are situated, that is the ones that are not on utility easements. (This is usually a minimal component.) and (3) there is the water required to operate the system and (4) are the customers. The physical system which absorbs by and far the bulk of any system cost is worth less than scrap value without the other components. There are known cases where a private system has been replaced by a nearby municipal system and the private system market value goes to zero or less. Most private systems are built at a very high cost to serve purposes of the developer other than just the delivery of water to customers. Such as the sale of residential and commercial lots that have no other source of water. Thus the cost of the system is repaid by the sale of the lots not the return on investment generated from the water user rates. Thus the physical elements of a small water system suffer from substantial depreciation from the time they are constructed. What is the value of pipe in the ground with limited or no water or limited or no growth in the customer base? Thus many water systems are sold at substantial discounts off of the actual costs once the lot sales or other purposes are completed with the sale price indicating the depreciated value of the system, when viewed as an investment only, based on the potential generated rates. Overall, however, the Cost approach is a useful technique when developed properly and serves as a point of comparison and support for the other approaches.

Note that the subject system has changed ownership since its inception and that the original costs are not known and trending studies may be marginal in their value estimates as the time passed is 24 years plus. Thus the cost approach will employ the method of current replacement cost minus depreciation based on the "effective age". Additionally only the cost approach will be used to differentiate the value of each individual system as separate from the whole.

Sales or Market Comparison approach to value: This approach develops an estimate of value for the appraised property by comparing similar sold/listed properties that are similar to the subject property. However, it should be noted that the sales comparison or market approach is characteristically the weakest methodology used in the valuation of public utilities. This is so due to several factors that relate to the unique nature of most utilities. It is seldom possible to find "good" comparables due to extreme differences in the age, size, design, location, number of connections, operating revenue, cost structure, water rights, water and or sewer customer base, possible other revenues and the fact that there are relatively few sales in any market area. For example the negotiated sale price is often "clouded" with complex financial and accounting offsets that hinder establishing a meaningful "per unit" sale price. However this approach is helpful even in the regulated market and/or non-regulated market when it provides a range of values based on a common denominator such as the price per connection that when analyzed may provide for a bracketing of the subjects likely market value. It is important that the comparables be identified as regulated or non-regulated.

It should be noted that adjustments to the sale price of comparable sales/listings are for the most part impossible to mathematically support due to the many variables and inability to isolate quantitatively the influence of any one variable. Thus, the qualitative adjustment process is generally the better approach.

Income approach to value: This approach considers the capitalized value of the net operating income of a utility company. Two primary analytical options are available, either Direct Capitalization or Discounted Cash Flow (DCF). Direct capitalization converts a single year's stabilized net operating income into an

estimate of value. This technique is most relevant when the cash flow is expected to be uniform or stable over time. This approach may also be useful in the regulated environment as it will typically use the existing years NOI which is the product of a rate based decision on customer rates. This approach does not allow any growth or future changes in operating costs or revenues. This approach is not particularly useful in the non-regulated market for those same reasons. Investors in the non-regulated market are buying the future cash flows not the current or historical performances.

Alternatively, a discounted cash flow assumes a series of projected cash flows over several years (typically 10 to 40), plus the projected resale of the property at the end of a predetermined holding period and then "discounts" these values back to the current date in part to reflect the the return on investment and "time value of money". One advantage of the Income approach using a discounted cash flow model and why investors prefer the DCF is that depreciation (all three types) does not have to be separately calculated. If the company's assets are in physical disrepair, its operations will be less efficient and more costly to operate and its net income will be lower. Conversely, if the assets are maintained properly, its net income may be higher. Continuing with this reasoning if there are reasons why a company's operations are not "functionally" conforming to market expectations or if there are "economic/external" constraints on its business, such as governmental regulation, these impacts may be reflected in the company's cash flow.

The income approach, although often times criticized for the necessary assumptions and dependency on future projections and unique capitalization rates is most often the best indicator of the going concern value of a utility. Only the income approach, utilizing an admittedly complex discounted cash flow model, will allow for the analysis of variations in future revenues and costs including capital expenditures and contributions in aid of construction. The income capitalization method helps in establishing limits within which reasonable investment criteria can be tested and a value established. It is also often the case that a reasonable value developed by use of a DCF model will establish the appropriate depreciation to apply in the cost approach.

Importantly, appraisal theory *in general* considers each of the three techniques described above (Cost, Sales, and Income) to be independent of each other since each valuation technique relies on different types of data and assumptions. By extension then, utilization of more than one technique is considered to be desirable since each serves as a "proof-check" on the others. From a practical standpoint, the ability to develop a particular analysis is usually determined by the availability, reliability, and relevance of the data to the particular market that is associated with the property. Although it should be noted that some appraisers may argue that the data is so interwoven among the three approaches that making clear or definitive distinctions between them may not be advisable in some cases.

Although this appraiser will utilize more than one valuation technique, a single opinion of final value will be derived from these different approaches This is the last phase of a valuation scope/problem and is known as "reconciliation". Generally, reconciliation of the different values derived from the various approaches is largely determined by the reliability of the data available to any particular valuation technique, and the relevance of any particular technique to investors or a particular market. For instance, it is the appraiser's experience, which includes discussions with utility owners, operators, and utility analysts, that non-

regulated investors in non-regulated utility properties are more interested in the financial performance of the facility and perhaps the water rights, than in its depreciated cost. As a result, the income approach will be given the greatest weighting in the non-regulated reconciliation. Conversely, if a property such as the subject is subject to the rate-base constraints imposed by the PUC/TCEQ than the Cost Approach to value may or may not receive the greatest weighting in the final reconciliation depending to a large extent on whether or not the buyer is regulated or non-regulated.

The appraiser inspected the property on December 12, 2017 and was accompanied by the system manager Mr. Karl Schneider. The weather was clear and there was no impediment to the inspection. The appraiser did an additional unaccompanied drive through inspection on January 8th, 2018 that establishes the effective date of this report.

4. Competency to Perform

The appraiser involved in this assignment has past experience in appraising this property type and in addition is actively engaged in appraisal work in the geographical area of the subject property. All steps necessary to acquire adequate data on this area for similar properties have been taken, resulting in adequate knowledge of the property type and location to meet the competency requirements of USPAP.

5. Definition of Non-Regulated Market Value

Market Value is defined 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 and conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised and are acting in what they consider their own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in US 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.

Source: Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Federal Register, Vol. 55, no. 163 August 22, 1990 Pg. 34228 and 34229

6. Definition of Regulated Market Value

Regulated Market Value is defined as:

The most probable price which a property should bring in a limited market that is subject to the rules and regulations of the Public Utility Commission or its equivalent, 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 and conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised and are acting in what they consider their own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in US 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 and that the facility is subject to the rate based restrictions of a Public Utility Commission or its equivalent.

Source: Barrett Appraisal Services, LLC

7. Definition of Going Concern Market Value

Going-concern value is the total value of a proven property operation. It includes the incremental value associated with the business concern if any, that is distinct from the value of the real estate only. Going-concern value includes an intangible enhancement of the value of an operating business enterprise which is produced by the assemblage of the land, building, labor, equipment, and marketing operation. This process assumes an economically viable business that is expected to continue into the future. The going-concern value refers to the total value of a property, including both real property and intangible personal property attributed to business value.

It may be difficult to separate the market value of the land and the building from the total value of the business, but such a division of realty and non-realty components of value is not impossible and is in fact, often required by the nature of the appraisal.

8. Property Rights Appraised

The property right appraised is the fee simple ownership in the subject property as a going concern. The fee simple interest is the highest form of ownership, subject only to the limitations of eminent domain, escheat, police power and taxation. Where the property is being rented and the rents are at market rates then the leased fee is considered to be equal in value to the fee simple interest.

9. Effective Date of Appraisal and Date of the Report

The effective date of this appraisal is January 8, 2018 which is the date of the final site inspection. The date of the report is January 17, 2018.

10. Assumptions and Limiting Conditions

This appraisal has been made subject to the following assumptions and limiting conditions:

- This Appraisal Report complies with the reporting requirements set forth under Standard Rule 2 of the Uniform Standards of Professional Appraisal Practice. As such, it may not present detailed discussions

of the data, and reasoning utilized in the report. Any supporting data and documentation concerning the data, reasoning, and analyses not directly presented in the report is retained in the appraiser's work file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use as stated herein. The appraiser is not responsible for unauthorized use of this report.

- Unless the time frame is shorter under applicable law, any legal action or claim relating to the appraisal or Appraiser's services shall be filed in court or in the applicable arbitration tribunal, within two years from the date of the report or in the case of acts or conduct after the date of the report two years from the alleged acts or conduct. The time frame stated in this section shall not be extended by any delay in the discovery or accrual of the underlying claims causes of action or damages. The time frame stated in this section shall apply to all non-criminal claims or causes of action of any type.
- Legal claims or causes of action relating to the appraisal are not transferable or assignable to a third party.
- The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether or not the subject site appears to be located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied regarding the determination.
- Improvements are assumed to be completed as defined in any structures building specifications that may be provided, a copy of which may be located in the Addenda of this report. Improvements are assumed to be designed and constructed using appropriate market standards.
- New Mexico is non-public disclosure State and as such the comparable sales data used in the analysis are believed to be reasonably correct. Where certain holes in the data cannot be filled from available documents or confirmed by grantee or grantor then it may be necessary to extrapolate certain figures. The appraiser makes no guarantees, express or implied regarding the exactness of the data so obtained. The data is used solely to assist the appraiser in forming an opinion of value.
- This appraisal report is prepared for the sole and exclusive use of the client. The appraiser is not a licensed property inspector. This report should not be relied upon to disclose any conditions present in the subject property. The appraisal report does not guarantee that the property is free of defects. A professional property inspection is recommended, if this is of concern to the client.
- No responsibility is assumed for matters that are legal in nature, nor is any opinion of title rendered. The appraiser is not qualified to conduct a title search or land survey and is not responsible for flaws in the title or any interests that may exist in the subject that have not been specifically identified and provided to him.
- No survey of the property has been made by the appraiser. No responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
- BAS, LLC is unaware of any cross easements or any covenants, conditions or restrictions impacting the subject property. We assume adequate ingress and egress to the property and we assume any reasonable sale of the property would not be inhibited by any covenants, conditions, or restrictions.

- Liens against the property, if any, have been disregarded, and the property is appraised as though free and clear, under responsible ownership and competent management. Any rights or interest claimed by any grantees under existing contracts for sale are disregarded.
- Information furnished by others and contained in this report is so noted and is believed to be reliable, but no responsibility is assumed for its accuracy.
- No responsibility is assumed for the accuracy of diagrams, sketches, or maps included in this report. These are for illustrative purposes only and provided solely for the purpose of assisting the reader to visualize the subject property being appraised.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
- It is assumed that all applicable zoning use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless noted in the report. Land area calculations derived from recorded documents are considered correct.
- Any distribution of the value in this report between land and improvements applies only under the stated program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
- The appraisal of any interest less than the whole fee simple estate relates only to the fractional interest defined. The value of such a fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate considered as a whole.
- The liability of Barrett Appraisal Services, LLC, employees and affiliated independent contractors if any is limited to the client only and to the fee actually received by the appraiser for this appraisal. Further, there is no accountability, obligation, or liability to any third party. A third party being defined as anyone but the client.
- The Contract for appraisal, consultation or analytical service is fulfilled, and the total fee is payable upon the completion of the report. The Appraiser or those assisting in the preparation of the report will not be asked or required to give testimony in court or hearings because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties, except under separate and special arrangements, and at additional fees. If testimony or deposition is required because of any

subpoena, the client shall be responsible for any additional time, fees, and charges regardless of the issuing party.

- Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.
- Neither all, nor any part of the contents of this report shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
- Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl's, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of the appraiser, nor did I become aware of such during my inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser is not qualified to test such substances or conditions. The presence of such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property. The value estimated is predicted on the assumption that there is no such condition on or in the property or in such proximity there-to that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
- The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible compliance with the requirements of ADA in estimating the value of the property.

The following Section III presents an analysis of the general market area of the subject.

Section III
Summary of General Area Analysis

SECTION III SUMMARY GENERAL AREA ANALYSIS

The subject property is located within the municipal boundaries of the Village of Vinton Texas. The Village lays mostly West of Interstate 10 at Exit 2 and just south of the City limits of Anthony NM/Texas directly adjacent to the east bank of the Rio Grande River and just to the NW of El Paso, Texas.

The largest City to North is Las Cruces NM which is approximately 22 miles north. Las Cruces is located in Doña Ana County in the south central part of New Mexico, also directly adjacent to the east bank of the Rio Grande River. The city is the largest in Southern New Mexico and is the second most populous urban area in the state. The city encircles the intersection of Interstate 25 (north-south) and Interstate 10 (east-west). Las Cruces is 225 miles south of Albuquerque (New Mexico's largest city) and 40 miles north of El Paso, Texas at an altitude of 3,900 feet. The City is surrounded by small mountain ranges, and is circled by the small communities of Organ, Doña Ana, Tortugas, La Mesilla and Mesilla Park. Doña Ana County contains 3,804 square miles. It's county seat, Las Cruces, encompasses an area of 22 square miles. Located in the fertile Mesilla Valley, Las Cruces is in the middle of predominantly agricultural land. On the west side of the city is the Rio Grande River that provides much of the irrigation for the array of agricultural products within the valley. Dona Ana County with Las Cruces MSA is one of the fastest growing areas in the United States and New Mexico. As indicated by the U.S. Department of Commerce, Bureau of the Census, Doña Ana County 1990 population was 135,510. During the 1980's and 1990's the average annual growth rate for Doña Ana County was 4.1% and 2.75% respectively per year. As indicated by the Bureau of the Census, March 2000 release, Doña Ana County had a July 1, 2000 population of 174,682. By 2010 the figure was 216,247. This results in an average annual growth rate for Doña Ana County was 2.86% per year for a compound annual growth rate of 2.95% to 2000 and an average of 2.36% per year to 2010.

The largest City to the South of the subject by about 10 miles is El Paso, Texas. As of July 1, 2016, the population estimate for the city from the U.S. Census was 683,080. Its U.S. metropolitan area covers all of El Paso and Hudspeth counties in Texas, and has a population of 841,971. The El Paso metropolitan area forms part of the larger El Paso–Las Cruces CSA, with a population of 1,056,178. El Paso stands on the Rio Grande river across the Mexico–United States border from Ciudad Juárez, the most populous city in the Mexican state of Chihuahua. The two cities, along with Las Cruces in Dona Ana County, New Mexico, form a combined international metropolitan area sometimes referred to as the *Paso del Norte* or El Paso–Juárez–Las Cruces. The region of over 2.7 million people constitutes the largest bilingual and binational work force in the Western Hemisphere.

Vinton lays in the middle of this growing metropolis. Historically Native Americans inhabited the area of Vinton before the arrival of the Spaniards, who made it a stopping place along the Camino Real, the road from El Paso to Santa Fe, which passed along the east bank of the Rio Grande through what is now Vinton. In Spanish and Mexican colonial times, it was known as La Salinera, from the salt cedars which grew there in abundance. When the area passed to the United States after the US-Mexican War, this water stop became known as Cottonwood, and was located in the northern part of Vinton along the river, 22 miles from El Paso.

In 1857, it was used by the San Antonio-San Diego Mail Line and from 1858 to 1861 by the Butterfield Overland Mail, that had a stage station called Cottonwood Station, located 22 miles from El Paso and 25 miles from Fort Fillmore up river in New Mexico.

Vinton was named for Southern Pacific Railroad surveyor John C. Vinton, who laid the cross-country route for the railroad through the area in 1881. A post office was opened there in 1892, and the town grew slowly in the next 100 years, reaching 605 in 1990. Vinton then increased in population in the following decade to 1,892 in the 2000 census. The incorporation of Vinton as Village of Industry on August 8, 1961 originated with Border Steel Corporation, which opened a mill in town that year now owned by Arcelor Mittal, and is still in marginal operation. The village has a total area of 2.4 square miles, all land.

Historical population		
Census	**Pop.**	**%±**
1980	372	—
1990	605	62.6%
2000	1,892	212.7%
2010	1,971	4.2%
Est. 2016	1,984 [11]	0.7%
U.S. Decennial Census[12]		

The population age distribution of the Village in the last census was 43.0% under the age of 18, 9.8% from 18 to 24, 31.5% from 25 to 44, 12.7% from 45 to 64, and 3.0% who are 65 years of age or older. The median age was 23 years. The median income for a household in the village was $26,779, and the median income for a family was $27,240. Males had a median income of $22,955 versus $14,777 for females. The per capita income for the village was $9,974. About 25.2% of families and 30.4% of the population were below the poverty line, including 31.6% of those under age 18 and 32.8% of those age 65 or over.

Vinton is served by the Canutillo Independent School District. Childress Elementary School is located in the village and it is zoned to Childress for pre-kindergarten to fifth grades and Canutillo Middle School for sixth to eighth grades. High-school students attend Canutillo High School and may also attend Northwest Early College High School should they qualify for admission.

The following Section IV discusses the specific site and improvement characteristics.

Section IV

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Site and Improvement Analysis

SECTION IV SUMMARY SITE AND IMPROVEMENT ANALYSIS

1. SUMMARY SYSTEM DESCRIPTION

Vinton Hills Alegre, LLC is comprised of three water systems, Vinton Hills, Vinton Village Estates and Villa Algre Estates. Two of the systems, Vinton Hills and Vinton Village Estates are interconnected and could operate as a single system in a back up situation. The original well at Vinton Village Estates was drilled in approximately 1993 the other two were drilled in 1996. Total pumped water through the system for the preceeding three years was:

2014----38,629,000 gallons

2015----37,803,000 gallons

2016----39,650,000 gallons

This calculates to approximately .389 acre feet per customer. A complete inventory of each systems component parts is illustrated below in Tables 4-1 through 4-3. The utility systems served an average of approximately 285 active customers during 2016.

Table 4-1 Vinton Hills Water System—Components List

Item	Quantity	Unit of Measure
Vinton Hills Water System 1996		
Chain Link Fence & Gate	380	lnft
Pump House	1	Unit
Well 1-- 8" Casing	700	Depth
Well pump 200 gal min, 15 hp	1	ea/ft
Booster Pumps 250 gal/min 10 hp	2	@
Hypoclorinators	1	@
Pressure Tanks 5000 gal pt	1	@
Ground Storage Tanks Total 3	50,000	gallons
Hydrandts	22	Units
Lines 6" IPS pipe	16,182	lnft
Lines 8" C-900 pipe	1,980	lnft
Service lines and taps	195	Unit
meters	195	Unit

Table 4-2 Vinton Village Estates Water System—Components List

Item	Quantity	Unit of Measure
Vinton Village Estates Water System 1993		
Chain Link Fence & Gate	340	lnft
Pump House	1	Unit
Well 1-- 8" Casing	700	Depth
Well pump 125 gal min, 7.5 hp	1	ea/ft
Booster Pumps 75 gal/min 5 hp	2	@
Hypoclorinators	1	@
Pressure Tanks 2500 gal pt	1	@
Ground Storage Tanks Welded Steel Total 2	20,000	gallons
Hydrandts	11	Units
Lines 6" IPS pipe	7,518	lnft
Lines 8" C-900 pipe	920	lnft
Service lines and taps	83	Unit
meters	83	Unit

Table 4-3 Villa Alegre Estates Water System—Components List

Item	Quantity	Unit of Measure
Villa Alegre Water System 1996		
Chain Link Fence & Gate	132	lnft
Pump House	1	Unit
Well 1-- 6" Casing	500	Depth
Well pump 60 gal min, 5.0 hp	1	ea/ft
Booster Pumps 50 gal/min2.5 hp	2	@
Hypoclorinators	1	@
Pressure Tanks 500 gal pt	1	@
Ground Storage Tanks Welded Steel Total 1	5,000	gallons
Hydrandts	3	Units
Lines 4" sch 40 pvc pipe	1,600	lnft
Service lines and taps	25	Unit
meters	25	Unit

2. SERVICE AREA POPULATION

Vinton Hills Algre, LLC serves residential customers in its service area that is within the municipal boundaries of the Village of Vinton Texas which had a population in 2010 of approximately 1,971. The Village lays mostly West of Interstate 10 at Exit 2 and just south of the City limits of Anthony NM/Texas and just to the NW of El Paso, Texas. At the current time Vinton Hills Algre, LLC has approximately 285 active connections as reported in the 2016 PUC fillings. Assuming 2.5 persons per household this represents approximately 713 persons or 36% of the Vinton Village population. The remainder of the population is served by and large by the El Paso Water Utility.

The three systems were originally built to serve the three separate residential subdivisions that were being built out at the time. The system has the potential for an expansion of approximately 46 additional residential which will likely be within the area north of Vinton Village Estates and Vinton Hills. Discussions with the management indicate that the general growth in the area is slow and it is estimated that only one+- additional connection per year could be reasonable expected.

There are three separate water systems that make up the Vinton Hills Alegre, LLC water utility. The systems are identified as:

1.Vinton Hills ----------195 meters

2. Vinton Village Estates---- 83 meters

3. Villa Alegre ----------25 meters

Table 4-4 presents the appraiser's projected growth rate of the system to 2036 and total water pumped based on a constant of .398 acre feet per connection.

TABLE 4.1 Vinton Hills Algre, LLC PROJECTED CUSTOMER GROWTH RATE

Period	Year	Annual Increase In Connections	Total Connections End of year	Population Served	Est Ac FT Water Pumped
1	2017	1	285	713	113.43
2	2018	1	286	715	113.83
3	2019	1	287	718	114.23
4	2020	1	288	720	114.62
5	2021	1	289	723	115.02
6	2022	1	290	725	115.42
7	2023	1	291	728	115.82
8	2024	1	292	730	116.22
9	2025	1	293	733	116.61
10	2026	1	294	735	117.01
11	2027	1	295	738	117.41
12	2028	1	296	740	117.81
13	2029	1	297	743	118.21
14	2030	1	298	745	118.60
15	2031	1	299	748	119.00
16	2032	1	300	750	119.40
17	2033	1	301	753	119.80
18	2034	1	302	755	120.20
19	2035	1	303	758	120.59
20	2036	1	304	760	120.99

4. SUMMARY

The Vinton Hills Algre, LLC system is generally less complex than other larger water systems. The reasons for this straight forward infrastructure development is the generally typical lot size, shorter distribution system, small number of wells, and generally less severe topography which requires only one pressure zone.

6. ENVIRONMENTAL OBSERVATION

An inspection of the site, made by this appraiser did not uncover any apparent signs of hazardous materials. Hazardous materials may or may not be present on the site, but the appraiser is not qualified to detect such substances. The presence of substances such as mold, asbestos, urea formaldehyde foam insulation, leaking oil or gas tanks, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss of value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

However, the reader should also note the discussion herein regarding the water quality which is good for the three wells of the subject system.

The following Section V deals with the market environment of the subject property.

Section V
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Water Utility Market Structure

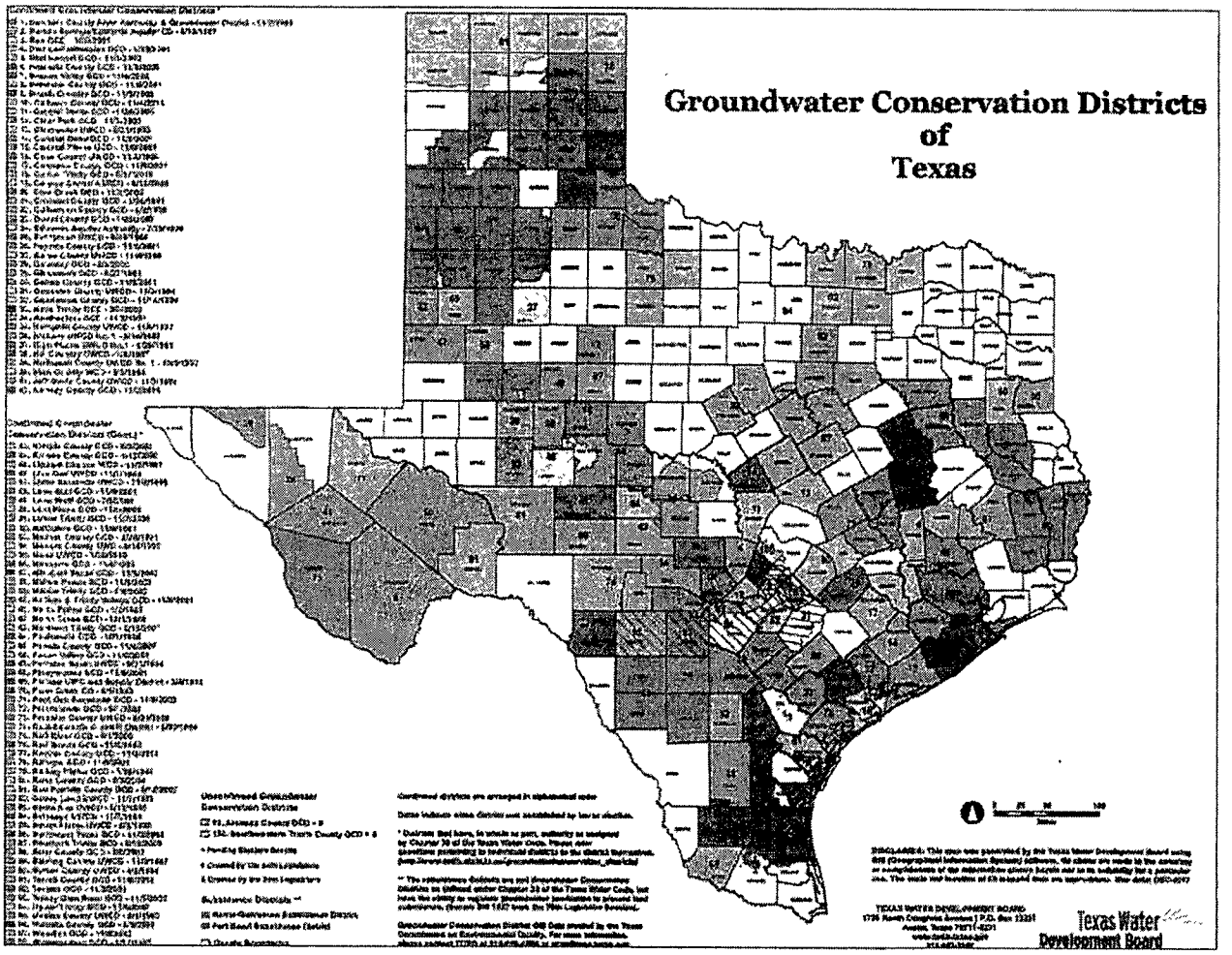
SECTION V WATER UTILITY MARKET STRUCTURE

The following observations of the economic and social environment of utility companies are based on the appraiser's 20 years as a professor of economics and finance at major universities in the U.S. and Australia, 28 years as a commercial appraiser with numerous prior appraisals of utility assets, discussions with utility experts involving finance and operations and general reading and research.

My experience has led me to observe that there are no reliable shortcuts that can be used to assess the acquisition value and/or the prospective future value of a multi-faceted utility company no matter its size. Therefore, in order to assist the reader in understanding the following Valuation Section VI the following presents an overview of the regulated water utility industry and a general discussion of the differences between the regulated and non-regulated water/sewer utility and other industries. Additionally the appraiser offers a critique of common valuation approaches in the context of the utility industry and the approaches used for the analysis of the Vinton Hills Alegre, LLC.

1. Overview of the Regulated Water Utility Industry

Recently it is estimated that more than 53,000 water systems exist in the U.S. Eighty-four percent of those systems serve less than 3,300 people each. In general, the water utility industry is quite inefficient. Less than 1% of the water systems serve more than 100,000 people each. For this reason, most utilities have been unable to achieve economies of scale or scope necessary to actually maximize their individual performance. Throughout the U.S., the water utility industry is a patchwork of thousands of privately-owned and government-owned water systems. Some are regulated and many are not. In Dona Ana County, NM just to the immediate north of the subject alone there are an estimated 110 water systems including private/regulated, municipal unregulated and mutually owned unregulated. It should be noted that only 29 are regulated by the PUC within the entire State of NM. However, in Texas this number is closer to 2,000 with an additional two thirds (174) of Texas Counties and 85% of the ground water being totally or partially within Ground Water Conservation or Subsidence Districts that have broad powers over the regulatory environment.



For investor-owned water/sewer utilities, two very different categories exist. The first category consists of publicly-traded companies. The second category includes thousands of smaller non-publicly traded companies which in many cases are family-owned- and- operated businesses. Typically, these smaller water utilities evolved from land developers for whom the water business was not their primary interest. Furthermore, this group tends to have little experience, if any, in the utility regulatory process.

For the past several years, the water/sewer utility industry has been experiencing a consolidation phase. In the pre-consolidation phase, 23 U.S. based investor-owned water utilities were publicly traded. Today, the number is approximately 10. The business plans of many investor-owned utilities are based upon growth through acquisition of smaller utility systems.

A general consensus among experts in the water/sewer utility industry includes:

1. Water rates do not reflect the true costs of providing service, or the value of service.
2. The capital requirements for rehabilitation, growth, and meeting environmental standards are quite high. According to EPA estimates approximately $1 trillion of capital investment

requirements is needed over the next 20 years. In addition, a study published in September 2008 by the EPA, indicated that one-third of U.S. surface waters did not meet water quality standards.

3. Some utility regulators are overly cautious about authorizing full rate increases for water utilities even though the water utilities' proposed rates do not allow them to fully recover their costs.
4. The public perception is that water is a "free good" and suppliers (i.e., water utilities) should provide service that is either free or very inexpensive.

Throughout the U.S., in terms of rates and service, the investor-owned water utility industry is regulated, for the most part, by individual state public service or regulatory commissions or public utility commissions. Normally, these commissions have been awarded power to regulate utilities by their state legislatures. Some states regulate hundreds of water utilities. For example, in Arizona, the Arizona Corporation Commission (ACC) regulates approximately 400+- water utilities with 300 owners. In New Mexico the PRC regulates 29 water utilities and 9 sewer utilities. Typically, the scope of a PSC's regulation encompasses.

1. Setting tariffs (i.e., establishing prices and terms of service);
2. Transferring ownership
3. Approving financing
4. Establishing accounting policies
5. Issuing Certificates of Public Convenience and Necessity (CCN)
6. Ensuring safety
7. Specifying reporting requirements and
8. Authorizing diversification.

Many people believe that the utility business is nearly a "risk-free" business and that utilities are guaranteed a profit. This belief is simply wrong. Bankruptcies of huge utilities such as Pacific Gas and Electric Company, El Paso Electric Company, and Public Service Company of New Hampshire document that the utility business is not risk free. Additionally, many small water utilities around the U.S. have also filed for bankruptcy. Thousands of others are experiencing serious financial trouble.

Finally, for the two smallest classes of water utilities (as defined by the National Association of Water Companies ,NAWC), the actual earned rate of return on equity (ROE) for the period 1975-2010 was 3.2% and 1.8%. One possible explanation for these low ROE numbers is that many small water utilities are created by land developers who are more concerned about selling land with the cost of the utility built into the land prices rather than earning a reasonable return for the water utility.

In general, the water utility industry is the only major utility industry in which:

1. Partial deregulation has not occurred;

2. The product is ingested; and
3. The primary raw material (i.e., water) is considered "free."
4. Small water utilities: (a) are regarded as inefficient (i.e., little or no economies of scale); (b) have a disproportionate number of environmental violations; and (c) lack financial and operational expertise.

2. Water Utilities Regulated By State Entities

The U.S. investor-owned water utility business, for the most part, is called a "cost-plus business". Most states' regulatory commissions allow regulated water utilities to recover their "prudent" expenses plus a reasonable rate of return on their "prudent" and "used and useful property" (i.e., rate base) necessary to provide non-discriminatory service to the public. The definition of rate base may vary by regulatory jurisdiction but usually includes: Original cost (including contributions in aid of construction CIAC) and equipment *plus* prepayments, deferred credits (occasionally), inventories, materials and supplies, and cash working capital; *minus* customer advances for construction, customer contributions in aid of construction (CIAC), customer deposits, investment tax credits (ITC), and accumulated deferred income taxes. The terms "rate base" and "rate of return" as used in public utility regulation engender so many diverse considerations and may be viewed from the vantage point of the accountant, the economist, the lawyer, the appraiser, the engineer, the utility management, the investor, the consuming public, and many others.

The following definitions may prove helpful:

Rate base as herein referred to is the valuation placed on utility property for purposes of arriving at a fair return.

Rate of return is the percentage of return allowed to a given utility and its investors over and above allowable deductions from gross income.

Replacement cost or current fair value is the value of the utility's property less depreciation as of the date of a utility rate processing.

Net investment cost is the actual original cost of utility property less depreciation.

Contribution in aid of construction – In general the term contribution in aid of construction means any amount of money on other property contributed to a regulated public utility that provides water or sewerage disposal services to the extent that the purpose of the contribution is to provide for the expansion, improvement, or replacement of the utility's water or sewerage disposal facilities.

The water utility industry differs from other industries with respect to three major categories. These categories are:

- Regulatory/legal environment
- Accounting issues
- Economic issues

Regulatory/Legal Environment. A utility's regulatory/legal environment (e.g., EPA; state health agencies; PUC/TCEQ; federal, state, and local laws; etc.) wields perhaps the most influence over a utility's

risk. The regulatory environment contains a variety of uncertainties including, but not limited to a commission's authorized rate of return, rate increases, expense recovery, policies, and legal actions. A key risk well recognized that is associated with a regulatory environment includes the continuity and predictability of commissioners and commission staff.

Cost of capital. In utility rate proceedings, because the expected return on common equity for a water utility cannot be observed and must be estimated, a PUC/TCEQ usually has a great deal of discretion as to cost of capital used in setting a particular utility's rates. Throughout the U.S., commission-authorized rates of return on equity for water utilities can differ significantly.

Rate Increases. In other industries, the owners or managers have significant control over the timing and amount of price increases. This is not true for regulated utilities. Because utilities operate in a political environment, the ultimate pricing test is frequently the willingness of regulators to authorize rate increases.

Regulatory adjustment mechanisms and policies. Since, generally, the mid 1990s and some times before, many state PUC/TCEQs implemented various regulatory mechanisms intended to reduce the risk of investor-owned water utilities. Many such mechanisms were designed to allow the utility to recover expenses and capital investments more quickly than under normal utility regulation. Examples of regulatory adjustment mechanisms and policies include.

1. Purchased water and power adjustment clauses;
2. Acquisition adjustments;
3. Distribution system improvement charges (DSIC);
4. Construction Work In Progress (CWIP), and excess plant capacity allowances in the utility's rate base; and
5. Revenue adjustment mechanisms between formal rate cases.

Legal Issues. In addition to the normal legal issues any company faces, in recent years investor-owned water utilities have been subject to "wrongful death" lawsuits for quality of water. Another major legal issue facing the investor-owned water utility industry pertains to whether a water utility can retain the book value of the CIAC in the event the water utility sells its assets to say a municipality or other non-regulated buyer or in the context of an eminent domain proceeding. Other issues involve water rights, service areas and disputes with PUC/TCEQs over rules and regulations and general authority.

Accounting Issues. In terms of utility accounting, most rate-regulated water utilities follow the National Association of Regulatory Utility Commissioner's (NARUC) Uniform System of Accounts. This System of Accounts prescribes very specific accounting rules which water utilities must follow. For valuation purposes, one of the most significant accounting issues pertains to the acquisition adjustment. Authorization of any acquisition adjustment recovery should be based on the buyer's ability to demonstrate that clear,

quantifiable and substantial net benefits have been realized by ratepayers in the affected areas, which would not have been realized had the transaction not occurred.

Economic Issues. The fundamental rationale for rate regulation is based on the theory that water utilities have characteristics of natural monopolies such as providing an essential public service and a commodity for which there are no substitutes and providing more efficient service by one or two large companies where economics of scale exist i.e., declining average costs as quantities increase.

An additional issue for valuation purposes is the difference between surplus capacity and excess capacity. All major utilities design their systems to provide a reserve margin during peak customer demand. However, commission regulators may determine that some of a utility's surplus capacity is "excess capacity" and not allow the utility an opportunity to earn a return on this investment. If this were to occur, a water utility's value would decline.

Another valuation issue related to a utility's underlying economic condition relates to the potential for growth particularly through the acquisition of adjacent or nearby water utilities. The likelihood of merging two or more adjacent water systems is often based on engineering-economics where the benefits of economies of scale related to the acquisition of water rights and increasing customer base are measured against the diseconomies of scale related to the condition of the system being acquired and the transmission and distribution of the water.

3. Critique of Common Valuation Approaches

Cost Based. Asset-based approaches used in valuing water utilities include:

1. Total net book value (total assets at original cost less accumulated depreciation)
2. Reproduction or replacement cost (less accumulated depreciation)
3. Rate base
4. "Prudent investment" (i.e., property, plant, and equipment which the regulators believe are "prudently" incurred by the utility in order to provide service to the public) - also called "adjusted book value.
5. "Fair value." This approach, in the appraiser's opinion, defies any precise definition. Usually, a regulatory commission will first determine a primary approach (e.g., original cost, reproduction cost) and then adjust its determination by various factors it deems appropriate in order to achieve a just and reasonable end result. For example, the PUC/TCEQ uses a mix of original cost and reproduction cost in deriving the value of a utility's property, plant and equipment as part of the rate base.

Capital intensive industries such as utilities derive their earnings from their rate base, as such the asset approach seems a logical choice. However, in the water and utility business, it is not uncommon that the plant in service is nearly fully depreciated. Frequently, small water utilities do not even have a current inventory and installation dates of their assets. In some cases the net worth of the utility could be negative. In many cases,

water utilities cannot raise capital at reasonable costs, yet they have a continuing obligation to provide service to the public. In short, a major difference may exist between the utility's earnings that are derived from its rate base and the value it provides to its customers and the original cost of the plant and equipment that may or may not be adjusted for its physical condition.

A second limitation of the asset approach relates to a category of assets called "deferred charges". These charges represent expenses paid by the utility in expectation of recovering the costs from ratepayers sometime in the future.

A third asset approach limitation relates to various other intangible assets with potentially huge value yet not included in utility ratemaking. For example, if an investor-owned water utility held $millions in water rights, the value of these water rights would be reflected as zero for financial accounting and ratemaking purposes. Having stated that, a further explanation is in order with regard to water rights. The above assumption is that the claimed water rights came with the original investment in the wells and equipment and that any beneficial water rights have been proven up by the customers of the system. However, if the system had to purchase water rights or lease water rights in the market area at market rates in order to operate then the cost of these acquired water rights should be considered in the rate base.

A fourth limitation of the book value approach is that a direct connection does not exist between the utility's after-tax weighted average cost of capital (WACC) and its return on invested capital (ROIC). In a non-regulated business environment, if a company consistently under-earned its required rate of return, the value of the company would decline.

A fifth limitation of the asset approach is that these asset amounts do not necessarily correlate with the utility's earnings nor are they always used for ratemaking purposes.

Finally, utilities typically make investments that are called "lumpy". This results from uneven periods of investment. If the plant and equipment are not immediately used and useful it may not be included in the rate base.

Market Approach. Many valuation analysts give significant weight to the market approach and, in particular, "comparable transactions." The problem with using this approach for water utilities generally involves some combination of the following factors: timeliness of the data, number of companies in the analysis; size of the utilities; and location of assets or utilities. This last fact is particularly important from a regulatory perspective. To be comparable, the water utilities in the sample should:

1. Be in the same primary business;
2. Have a similar capital structure;
3. Have a similar history of profitability;
4. Be similar in size (e.g., revenues, assets); and
5. Have similar growth rates (sales, customers, assets).

Income Approach. Two common income approaches used in valuing utilities are the capitalized earnings method and the discounted cash flow (DCF) method. In the capitalized earnings method, the stabilized years net income is divided by a capitalization rate.

The recommended income approach for non-regulated utilities is the enterprise DCF model using free cash flows to the firm (FCFF). This model is widely used in practice and includes earnings before interest and taxes (EBIT), *plus* depreciation and amortization expenses, *plus* deferred income taxes *minus* capital expenditures, *minus* changes in working capital. The characteristics of this model are that it.

1. Provides a forward looking analysis of a company's operations;
2. Uses multiple time periods
3. Adjusts accounting data to include only cash; and
4. Explicitly incorporates yearly investment and disinvestment.

Advantages of the DCF model are that it:

1. Is not dependent on the accountants' definition of earnings;
2. Is useful for closely held and small water utilities;
3. Has strong theoretical support; and
4. Incorporates the timing and amount of investment, deferred income taxes, and the appropriate weighted average cost of capital.
5. Can accommodate the contributions in aid of construction that must be considered.

To recap, the water utility environment is very different from other non-regulated industries - particularly in the areas of regulation, accounting, legal issues, and economics. In this business:

- Long-run planning is required;
- Rates to customers often do not reflect the costs of providing service to them;
- ROEs are historically low for small water utilities; and
- In most cases, the PSCs' authorized rates of return on capital do not fully reflect the utility's risk.
- In return for CIAC, the Public Service Commission structures a utility's rates so that they exclude contributed property as well as any return to the investor on the contributed property. The overall impact of CIAC reduces the utility investor's capital outlay (through actual contribution or reimbursement), and at the same time, reduces the cost of utility service (i.e., rates) to customers. What a customer saves however must still be paid by someone, whether it is the developer, lot purchaser, utility owner or the customer.

- When valuing the fee simple title of a private water or sewer utility system, the appraisal should ensure that the value includes, at least implicitly, more than one interest and, more likely, three: 1) the investor/owners' equity interest; 2) the creditor/bondholders' interest; and 3) the

customer/rate payers' interest in allocating the fee simple value among the various interests. These interests may be or not be broken out in an appraisal and generally are not.

The following Section VI presents the valuation process and calculated results of the appraisal.

Section VI
§
Valuation

SECTION VI VALUATION

The following Section VI develops the reasoning and methodology utilized in arriving at a determination of highest and best use and a valuation conclusion for the subject facility.

1. HIGHEST AND BEST USE

The highest and best use is typically defined as that use which is physically possible, legally permissible, and financially feasible and that would return the highest net return to the land. The subject of this report is a specially designed water utility system for which there is no alternative use nor substitutable facility. The subject is a regulated water utility serving 285 residential connections and approximately 713 in population. The utility is a going concern with clear stabilized financial results, an identifiable dependent customer base and substantial economic life remaining. As with most utilities the subject is special purpose limited market property and although it is currently dealing with economic issues relating to ROI and capital requirements it has no environmental concerns related to water quality and the facility has a substantial remaining economic life and there is no alternative use for the subject. Therefore, the highest and best use is as currently developed and used.

2. VALUATION METHODOLOGY

The valuation methodologies employed in this analysis are the Cost approach the Sales Comparison approach and the Income Capitalization approach. The cost approach will not develop the regulatory rate based method of determining the value of the utility's assets for rate making purposes due largely to the lack of historical or original cost information, the unknown of cost related to any and all contributions in aid of construction, the errors related to trending analysis with periods exceeding 20 years and the lack of relevancy as it relates to the actual market value of the system when there are non-regulated entities on the demand or buyers side of the market. However, a market based or non-regulated cost approach will be structured which will be inclusive of all of a utility's assets based on current replacement cost new minus unitary depreciation as discussed above using the effective age/life of the systems.

The second approach developed is that of the sales comparison approach. Several transactions will be reviewed and summarized then the resultant sale price per connection will be used as a common denominator and applied to the subject in an effort to estimate the market value via comparable sales or at least provide a range of values to compare to the cost and income approaches. This method will employ a qualitative analysis.

The third approach will be the application of income capitalization. In the first analysis the "direct capitalization" will be used in which the average of the last three years (2014-2016) reconstructed NOI will capitalized using an appropriate capitalization rate. Note that 2017 results were not yet available at the time of this appraisal but it is understood that the results do not vary substantially from the prior three year averages. Given that this approach uses the most current years NOI that is the result of the PUC/TCEQ rate based decisions and that no future change in cost or income are considered then this approach is most representative of the value of the system as a regulated utility.

Alternatively, certain assumptions will be applied in the discounted cash flow model that will present a picture of the likely market based value as viewed by a likely non-regulated investor which may then be compared to the market value cost and comparable based methods. This second income capitalization methodology is the development and use of a comprehensive "discounted cash flow model". The DCF is a future looking model that encompasses and discounts all cash inflows and outflows including CIAC and equity investment/requirements if any. The resultant present value of the DCF calculations is considered to be the current non-regulated market value of the utility system and able to be compared to the cost approach.

The three approaches will then be reconciled in order to arrive at the appraiser's opinion of market value of the subject utility system as though traded in a regulated market and a market value as though traded in a wider market that is populated by non-regulated buyers. *The reader should note that much of the data and analysis is summarized and it is assumed that any reader will be familiar with the Texas regulatory environment and accounting practices.*

3. THE COST APPROACH- MARKET BASED

The market based or non-regulated cost approach as structured below is inclusive of all of a utility's assets and based on current replacement cost new minus depreciation. The first step in this cost approach is to determine the replacement cost of the subject improvements. Replacement cost is the estimated cost to construct, at current prices, a facility with utility equivalent to the property being appraised, whether current or proposed, using modern materials, current standards, design and layout. The existing improvements will serve as the basis for the cost valuation.

The methodology used in determining the current replacement cost of the subject improvements involves the review of PUC/TCEQ file data for the subject system, use of some known original cost figures and discussions with the current operator regarding replacement for the system components as well as comparative cost figures from file data on other utility systems and discussions with several local utility engineers and architects. The following sources deserve mentioning as a partial list of base line cost estimates and estimated istalation costs associated with the unit prices.

1. The Handy Whitman Index, a well known industry publication that is used to trend utility construction cost.

2. The Engineering News Record is a widely recognized publication that among other things publishes cost indices for the construction industry.

3. "Commercial Cost Explores" by Marshall & Swift Valuation Service.

4. Recommended Standards for Water Facilities, by the New Mexico Environmental Department.

5. "Price List" Kennedy Valve-A Division of McWane Inc. Especially helpful with hydrants, valves and pumps.

6. Also Price List from pipe sellers and installers in Dona Ana County, NM.

Depreciation within the appraisal process is defined as a loss in market value for any reason. Any loss in value can be attributed to three factors generally referred to as physical depreciation, functional depreciation and economic or external depreciation.

Physical depreciation is internal to the property and is attributable to natural aging and wear and tear on the property. Experience has shown that most property has an identified economic life that tends to correspond to the physical decay of the property. This is especially true of installed systems. Many of the components of the capital expenditures illustrated in Tables 6-1, 6-2 and 6-3 below have actual ages of over 20 years and economic lives of 50-60 years or more such as the transmission and collection lines. However, other components such as pumps, valves, electrical equipment and the like have much shorter lives such as five to fifteen years. Since it would be impractical to engineer or itemize each individual component and assign an economic life to that component rather an overall economic life of 50 years is used which is a reasonable assumption. See the discussion of unitary methodology above. Based on the physical inspection of the property made by this appraiser the average effective age of the system is equal to the actual age of the system which in the case of Vinton Hills is estimated to be 22 years thus 22/50 = .44% as an overall average rate of the systems physical depreciation. The same calculation is made for all three systems as illustrated in the below Tables.

However, functional and economic depreciation are not so straight forward. Most systems that are built in portions over extended periods of time suffer from functional depreciation. The primary reason is that old technology is only slowly replaced with new technology and more cost efficient components. An example would be the storage tank automation. Functional depreciation would also include older less reliable materials, and inefficient design. Additionally function depreciation would include the environmental problems associated with the subject and its water quality if there were any.

Economic depreciation is also quite typical of utility systems. Economic depreciation results from forces external to the system leading to a loss of value to the system. The external risks are usually associated with supply and demand forces that can dramatically impact the value of a system, as can the regulatory environment, water rights issues, external environmental issues, drought, other weather conditions, financial markets, reduced customer growth and the fact that there is no alternative use for a water utility system. Any one of these factors could impact a system so that it has salvage value only which could conceivably be negative.

The actual loss in value due to functional and economic depreciation is difficult to quantify. This is especially so for older piece meal systems. However, it is quite typical for this figure to be 10% to 50% of the total depreciation attributable to the system. Therefore, for purposes of this analysis an additional rounded

figure of 25% is imposed system wide for both functional and economic depreciation. This rate is consistent with supported by the income approach as developed below.

LAND AND FF&E

The land associated with the subject water system, i.e. for the well houses, wells, water tanks and pressure tanks are considered and included below. Typical residential lots in the three subdivisions have sold for $30,000 to $40,000 with $35,000 being an approximate average. The average size is estimated at ¾ of an acre or say 32,670 sf. Thus an estimate for the sf value of the subject three sites is $1.07 per sf. There is no furniture fixtures and equipment considered in the analysis.

Tables 6-1, 6-2 and 6-3 illustrate the replacement cost new minus depreciation for each of the three water systems as requested by the client and are summarized and totaled at the end of the cost analysis. . Tables 6-1, 6-2 and 6-3 depict the basic breakdown of the principle cost components of the three facilities and presents the reconciled replacement cost new estimates of the systems. These figures would represent the total cost i.e., included in the per unit cost calculation would be contractor's overhead and profit and contingency fees. Also included in the cost would be architectural and design fees, entrepreneurial profit if any, and local and state sales tax.

The reader should note that at the time of inspection the Vinton Village Estates System had two new poly tanks sitting on site ready to be plumbed into the system to replace the existing welded steel tanks which have developed rust holes and leaks. However these tanks were not counted into the system on order to avoid double counting although when installed they would certainly be considered capital upgrades to the system but would do little to the overall average rate of depreciation as applied.

Table 6-1 Vinton Hills Water System 1996 -- 195 Meters

Item	Quantity	Unit of Measure	Unit Cost	Replacement Cost New-Installed	Unitary Physical % Dep.	Functional and Economic % Dep.	Total	Total Depreciation "As Is"	RCN Minus Depreciation
Vinton Hills Water System 1996									
Chain Link Fence & Gate	380	lnft	$18.54	$7,045	44.0%	25.0%	69.0%	$4,861	$2,184
Pump House	1	Unit	$4,700.00	$4,700	44.0%	25.0%	69.0%	$3,243	$1,457
Well 1--8" Casing	700	Depth	$98.87	$69,909	44.0%	25.0%	69.0%	$48,237	$21,672
Well pump 200 gal min, 15 hp	1	ea/ft	$15,028.00	$15,028	44.0%	25.0%	69.0%	$10,369	$4,659
Booster Pumps 250 gal/min 10 hp	2	@	$2,150.00	$4,300	44.0%	25.0%	69.0%	$2,967	$1,333
Hypoclorinators	1	@	$1,170.00	$1,170	44.0%	25.0%	69.0%	$807	$363
Pressure Tanks,5000 gal pt	1	@	$15,110.00	$15,110	44.0%	25.0%	69.0%	$10,426	$4,684
Ground Storage Tanks Total 3	50,000	gallons	$0.85	$42,500	44.0%	25.0%	69.0%	$29,325	$13,175
Hydrandts	22	Units	$6,750.00	$148,500	44.0%	25.0%	69.0%	$102,465	$46,035
Lines 6" IPS pipe	16,182	lnft	$18.80	$304,222	44.0%	25.0%	69.0%	$209,913	$94,309
Lines 8" C-900 pipe	1,980	lnft	$25.85	$51,183	44.0%	25.0%	69.0%	$35,316	$15,867
Service lines and taps	195	Unit	$587.50	$114,563	44.0%	25.0%	69.0%	$79,048	$35,514
meters	195	Unit	$195.00	$38,025	44.0%	25.0%	69.0%	$26,237	$11,788
Total System Hard Cost New and Dep				$816,254				$563,215	$253,039
Soft Cost, Arch., Ap. Fin. Plan	1.25%			$10,203	44.0%	25.0%	69.0%	$7,040	$3,163
Land Market Value	12,878	sf	$1.07	$13,804					$13,804
Total System RCN - Depreciation				**$840,342**				**$570,256**	**$270,086**

Table 6-2 Vinton Village Estates Water System 1993 -- 83 Meters

Item	Quantity	Unit of Measure	Unit Cost	Replacement Cost New	Unitary Physical % Dep.	Functional and Economic % Dep.	Total	Total Dpreciation "As Is"	RCN Minus Depreciation
Vinton Village Estates Water System 1993									
Chain Link Fence & Gate	340	lnft	$18.54	$6,304	50.0%	25.0%	75.0%	$4,728	$1,576
Pump House	1	Unit	$4,700.00	$4,700	50.0%	25.0%	75.0%	$3,525	$1,175
Well 1-- 8" Casing	700	Depth	$99.87	$69,909	50.0%	25.0%	75.0%	$52,432	$17,477
Well pump 125 gal min, 7.5 hp	1	ea/ft	$9,165.00	$9,165	50.0%	25.0%	75.0%	$6,874	$2,291
Booster Pumps 75 gal/min 5 hp	2	@	$2,126.00	$4,252	50.0%	25.0%	75.0%	$3,189	$1,063
Hypochlorinators	1	@	$1,170.00	$1,170	50.0%	25.0%	75.0%	$878	$293
Pressure Tanks 2300 gal pt	1	@	$9,995.00	$9,995	50.0%	25.0%	75.0%	$7,496	$2,499
Ground Storage Tanks Welded Steel Total 2	20,000	gallons	$0.85	$17,000	50.0%	25.0%	75.0%	$12,750	$4,250
Hydrants	11	Units	$6,750.00	$74,250	50.0%	25.0%	75.0%	$55,688	$18,563
Lines 6" IPS pipe	7,518	lnft	$18.80	$141,338	50.0%	25.0%	75.0%	$106,004	$35,335
Lines 8" C-900 pipe	920	lnft	$25.85	$23,782	50.0%	25.0%	75.0%	$17,837	$5,946
Service lines and taps	83	Unit	$587.50	$48,763	50.0%	25.0%	75.0%	$36,572	$12,191
meters	83	Unit	$195.00	$16,185	50.0%	25.0%	75.0%	$12,139	$4,046
Total System Hard Cost New and Dep				$426,813				$320,109	$106,703
Soft Cost, Arch., Ag, Fin, Plan	1.25%			$5,335	50.0%	25.0%	75.0%	$4,001	$1,334
Land Market Value	19,222	sf	$1.07	$20,568					$20,568
Total System RCN - Depreciation				**$452,715**				**$324,111**	**$128,604**

Table 6-3 Villa Alegre Estates Water System 1996 -- 25 Meters

Item	Quantity	Unit of Measure	Unit Cost	Replacement Cost New	Unitary Physical % Dep.	and Economic % Dep.	Total	Total Dpreciation "As Is"	RCN Minus Depreciation
Villa Alegre Water System 1996									
Chain Link Fence & Gate	132	lnft	$18.54	$2,447	44.0%	25.0%	69.0%	$1,689	$759
Pump House	1	Unit	$4,700.00	$4,700	44.0%	25.0%	69.0%	$3,243	$1,457
Well 1-- 6" Casing	500	Depth	$99.87	$49,935	44.0%	25.0%	69.0%	$34,455	$15,480
Well pump 60 gal min, 5.0 hp	1	ea/ft	$9,165.00	$9,165	44.0%	25.0%	69.0%	$6,324	$2,841
Booster Pumps 50 gal/min2.5 hp	2	@	$1,410.00	$2,820	44.0%	25.0%	69.0%	$1,946	$874
Hypoclorinators	1	@	$1,170.00	$1,170	44.0%	25.0%	69.0%	$807	$363
Pressure Tanks 500 gal pt	1	@	$2,937.00	$2,937	44.0%	25.0%	69.0%	$2,027	$910
Ground Storage Tanks Welded Steel Total 1	5,000	gallons	$0.85	$4,250	44.0%	25.0%	69.0%	$2,933	$1,318
Hydrandts	3	Units	$6,750.00	$20,250	44.0%	25.0%	69.0%	$13,973	$6,278
Lines 4" sch 40 pvc pipe	1,600	lnft	$17.62	$28,192	44.0%	25.0%	69.0%	$19,452	$8,740
Service lines and taps	25	Unit	$587.50	$14,688	44.0%	25.0%	69.0%	$10,134	$4,553
meters	25	Unit	$195.00	$4,875	44.0%	25.0%	69.0%	$3,364	$1,511
Total System Hard Cost New and Dep				$145,429				$100,346	$45,083
Soft Cost, Arch., Ap, Fin, Plan	1.25%			$1,818	44.0%	25.0%	69.0%	$1,254	$564
Land Market Value	7,500	sf	$1.07	$8,025					$8,025
Total System RCN - Depreciation				**$155,272**				**$101,600**	**$53,671**

Tables 6-1, 6-2 and 6-3 above illustrate the RCN-Depreciation of the water system and indicate the current market value of the systems using the cost approach. The following Table 6-4 summarizes the calculations and presents the combined values of the three systems.

Table 6-4 Summary of Vinton Hills Alegre LLC Water System Cost Analysis

System	# Meters	RCN	Total Depreciation	Depreciated value	Value per Meter New	Depreciated Value per Meter
Vinton Hills	195	$840,342	$570,256	$270,086	$4,309	$1,385
Vinton Village Estates	83	$452,715	$324,111	$128,604	$5,454	$1,549
Villa Alegre	25	$155,272	$101,601	$53,671	$6,211	$2,147
Total	**303**	**$1,448,329**	**$995,968**	**$452,361**	**$5,325**	**$1,694**

Thus the current combined market value of the three systems that make up the Vinton Hills Alegre LLC water system using the cost approach methodology is estimated to be $452,361.

Round to $452,000

4. SALES COMPARISON APPROACH TO VALUE

The sales comparison approach to value is a method whereby recent sales of properties similar to the subject are compared and analyzed. The basic premise of this approach is that the sale price of similar properties should reflect the market perception of the subject property and indicate its likely sale price. In the sales of water utilities there are generally four classes of sales:

1. Regulated seller to regulated buyer
2. Regulated seller to non-regulated buyer
3. Non-regulated seller to regulated buyer
4. Non-regulated seller to Non-regulated buyer

Class 1 and 3 are generally constrained in their negotiations by the regulated market and the rate base calculations related primarily to the cost approach. Class two and four are generally not constrained by the regulated rate base calculations and are for the most part free to negotiate a market based sale price. The subject falls into the class 2 category. The appraiser was not able to find sufficiently similar sale/listings in the immediate El Paso area but have available several sales in the local area immediately north of the subject in New Mexico. Although water law and water rights differ between the States the fact that the sales used are similar to the subject and they have sufficient water to satisfy the system demands and subject to the same market forces as is the subject make them reasonable comparables. This use of these comparables would be suspect if it was the only approach used but it is not. The market comparable method is supported by the use of the two other approaches as developed herein. The following, Table 6-3, lists transactions of similar class 2 utility sales. It should be noted that there are only 29 PUC regulated water utilities in New Mexico. Additionally the market approach is characteristically the weakest methodology used in the valuation of public utilities. This is due to several factors that relate to the unique nature of most utilities. It is seldom possible to find "good" comparables due to extreme differences in the age, size, design, location, number of connections,

operating cost structure, water rights, water and or sewer customer base, possible other revenues and the fact that there are relatively few sales in any market area. Therefore, the best common denominator that can be extracted from the available sales is the price paid per connection. The following Table 6-5 illustrates a list of utilities used in the analysis and their price paid per connection. The time adjusted applied to the sales 1.5% per year to 2016. Figure 6-1 illustrates the location of the comparables.

FIGURE 6-1 IMPROVED SALE COMPARABLES MAP

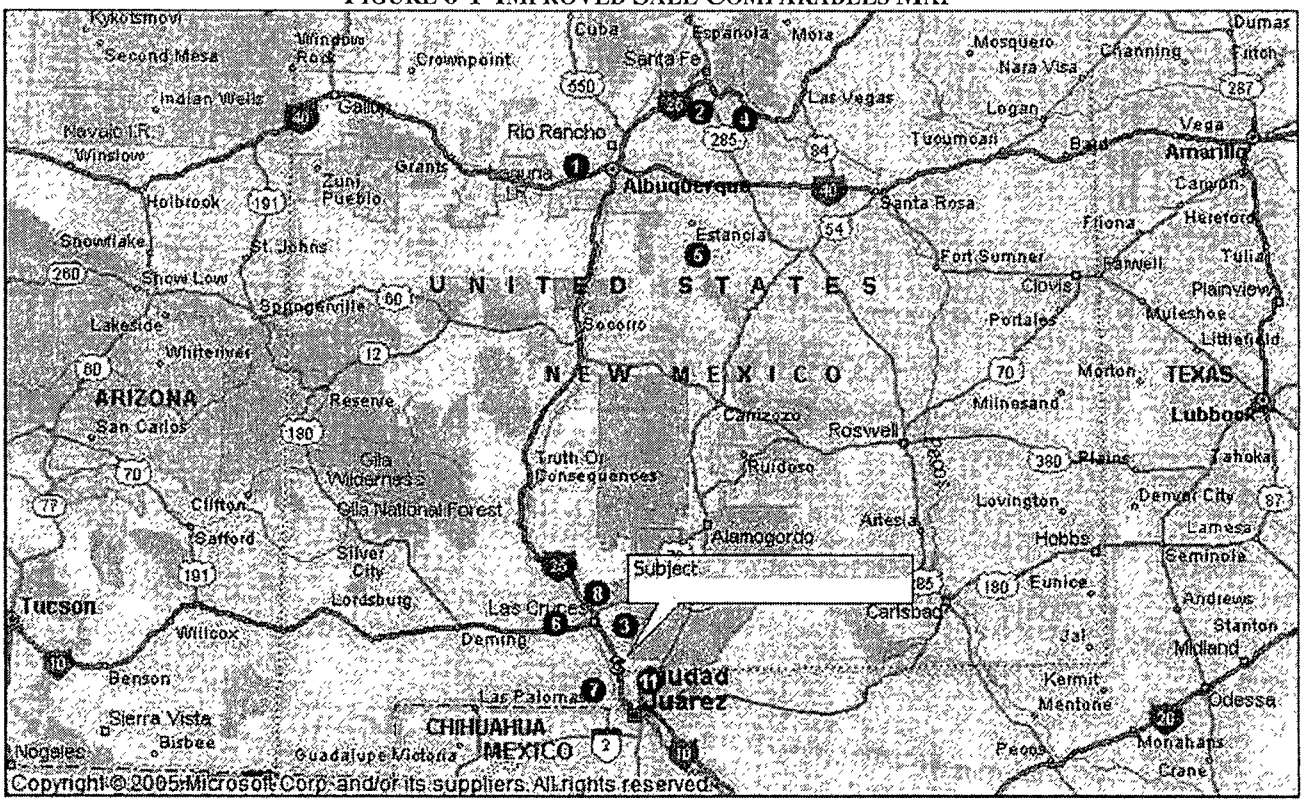


TABLE 6-5 UTILITY SALES GRID SORTED BY TIME ADJUSTED $ PER CONNECTION

BAS #	Utility	Status	Buyer	Date of Sale	$ Amount Involved	Total Connections	Price per Connections	Time Adjusted at 1.5% pa
1	Rio Rancho	Regulated Seller	Non-Regulated	Jun-90	$69,000,000	15,000	$4,600	$6,394
2	El Dorado Utilities Inc	Regulated Seller	Non-Regulated	6/1/2003	$12,850,000	2,580	$4,981	$5,952
3	Jornada Water Co	Regulated Seller	Non Regulated	6/1/2016	$16,400,000	3,500	$4,686	$4,686
4	El Dorado Utilities Inc	Regulated Seller	Non-Regulated	9/14/2001	$6,189,830	2,580	$2,399	$2,938
5	Sandia Knolls	Regulated Seller	Non-Regulated	2/6/1992	$687,000	350	$1,963	$2,669
6	West Mesa Water Company	Regulated Seller	Regulated Sel.	1/1/2002	$125,000	72	$1,736	$2,100
7	Santa Teresa Sertvice Co.	Regulated Seller	Non Regulated	6/3/1999	$1,800,000	1,250	$1,440	$1,807
8	Mesa Development Co	Regulated Seller	Non Regulated	6/1/2015	$425,000	286	$1,486	$1,508
9	Picacho Hills Water and Sewer	Regulated Seller	Non Regulated	UC 9/2012	$2,250,000	1,651	$1,363	$1,444
10	Edgewood Water System	Regulated Seller	Non Regulated	6/15/2000	$2,090,000	1,800	$1,161	$1,439
11	Anthony Water Wks	Regulated Seller	Non Regulated	5/24/1994	$1,475,000	2,009	$734	$965
	Average				$10,299,257	$2,825	$2,414	$2,900

Discussion and Rating of Comparables

Comparable one is a much older sale of the Rio Rancho water system that sold in June of 1990. The price paid for the regulated utility was the result of a condemnation action. The reported price was $69,000,000 which was $22 million over the rate base. Although the comp is not truly representative of an arms length transaction it can be used to set the area of the upper limits of a set of data. The water customer base was 15,000. The sale is rated as overall superior to the subject. The overall net adjustment to the sale price per connection is negative.

Comparable two and four are related. Comparable four is the purchase agreement for $6,189,830 or $2,399 per connection, between El Dorado Utilities a water system and Utilities Inc an Illinois Corporation. The agreement was an arms length transaction agreed to by both the seller and buyer but as a result of litigation and intervenors the agreement was not concluded. The litigation involved the condemnation of the utility by a newly formed Public Utilities district made up of the homeowners and customers of the system. The condemnation trial ended up at a price of approximately $12,850,000 i.e., comparable to $4,981 per connection. The condemnation figure is listed here to provide a range although it cannot be considered an arms length transaction. The customer average monthly bill was relatively high at $58.00 +-. The system was overall in good condition with adequate water rights. Comparable two is rated as superior to the subject due primarily to the quality of the system, higher rates and conditions of sale. The overall net adjustment to the sale price per connection is negative.

Comparable three is the recent purchase by the City of Las Cruces of the Jornada Water Company system via a friendly condemnation action. The sale price was $16,400,000 for 3500 connections for $4,686 per connection and 2000 plus acre feet of proven up water rights. The system was in good condition and conforms to City standards. The actual rate base was on the order of $6.5 million. The sale is rated as overall superior to the subject due primarily to the very positive cash flows and the superior quality of use to the buyer. The overall net adjustment is negative.

Comparable four(see comparable two). Comparable four is the purchase agreement for $6,189,830 or $2,399 per connection, between El Dorado Utilities a water system and Utilities Inc an Illinois Corporation. The agreement was an arms length transaction agreed to by both the seller and buyer but as a result of litigation and intervenors the agreement was not concluded. The transaction is rated as overall superior to the subject due primarily to the conditions surrounding the transaction as well higher rates and quality of the system. The overall net adjustment is negative.

Comparable five sold in 1992 for an effective sales price of $687,000 or $1,963 per connection. The price was $462,000 plus $225,000 required in immediate repairs. There were 325 acre feet of water rights that went with the sale and a customer base of 350. The sale is rated as overall superior to the subject due to the surplus water rights and higher rate bas and positive income flow. The net adjustment is negative.

Comparable six is the prior 2001 sale of the West Mesa Water System to the current owners. According to NM PUC records the net plant investment at the time of sale was approximately $54,740 with a total of 72 customers. The reported sale price of $125,000 calculates to $1,736 per connection. The facility was regulated at the time of sale and currently remains as a regulated water utility. Subsequent to that sale

approximately $372,000 was added in CIAC and currently has 106 customers connected. The utility had 242 acre feet of permitted water rights. Water pumped in 2002 according to PUC records was 40.56 acre feet and in 2011 pumped 56.35 acre feet. The sale is rated as over all superior to the subject presently due primarily to smaller number of connections and the excess system due to CIAC. The net adjustment is negative.

Comparable seven is the arms length transaction between Santa Teresa Services Co. a water and sewer utility and Southwest Water Co. The transaction was not completed due to condemnation action by the City of Sunland Park. The agreement was $1,800,000 or $1,440 per connection. The sale is rated as overall similar to the subject due to the nature of the transaction at that timeas well as the condition and quality of the system. The net adjustment is nil.

Comparable eight is the recent sale of the Mesa Development Co water system located on the east mesa of Las Cruces. The system sold to the City of Las Cruces for $425,000 or $1,486 per connection for the 286 connections. The system had 107 ac ft of proven water rights. The system was in poor condition and did not meet the City of Las Cruces standards requiring additional expenditures for renovation. The sale is rated as overall very similar to the subject due primarily to the number of connections, quality of the system and the rate base of the system and required renovation. The net adjustment is nil.

Comparable nine is the current accepted offer to purchase of the PUC regulated Picacho Hills Water and Sewer Utility located just west of Las Cruces. The buyer is Dona Ana Mutual Water Association. The utility has 849 water customers and 802 sewer customers and a minimum of 2600 acre feet of claimed water rights. Water pumped in 2011 according to PUC/TCEQ records was 384 acre feet. The facility is in receivership and is being sold by the court appointed receiver. There is complicated litigation in play including a lending institution, the PUC/TCEQ and other Intervenors. The accepted offer results in a figure of $1,363 per connection when considering both water and sewer connections. The sale is rated as overall inferior due to the forced nature of the sale by the special master and the litigation surrounding the owner and PUC/TCEQ. The net adjustment to the sale price per connection is positive.

Comparable ten is the sale of the Edgewood water system for a price of $1,100,000. However, the system pumped 400 ac ft of water in 2001 but owned only 70 ac. ft. The system bought supplemental water from Estancia Basin Water Supply. The purchaser of the Edgewood system, New Mexico American Water Co. then purchased the Estancia Basin water supply for $990,000. Estancia Basin owned approximately 362 ac ft of water. This calculates to $2,734 per ac. ft. Thus the effective sale price of the Edgewater system was $1,100,000 plus an additional $990,000 for the additional 362 acre ft of water required for the system for a total of $2,090,000 or $1,161 per connection. The sale is rated as overall inferior due to the necessity of a separate purchase of water rights as well as the condition of the system. The net adjustment is positive.

Comparable eleven is the 1994 sale of the Anthony water system. The purchase price was $1,475,000 or $734 per connection. The system was in need of significant repairs and upgrades. The sale is rated as over all inferior to the subject due primarily to the poor condition of the system. The net adjustment is positive.

Table 6-6 Ranking Grid

BAS #	Utility	Total Connections	Rating of Sale	Adjustment	Time Adjusted at 1.5% pa	Resulting % Adjustment
1	Rio Rancho	15,000	Superior	Negative	$6,394	-76.92%
2	El Dorado Utilities Inc	2,580	Superior	Negative	$5,952	-75.20%
3	Jornada Water Co	3,500	Superior	Negative	$4,686	-68.50%
4	El Dorado Utilities Inc	2,580	Superior	Negative	$2,938	-49.76%
5	Sandia Knolls	350	Superior	Negative	$2,669	-44.70%
6	West Mesa Water Company	72	Superior	Negative	$2,100	-29.71%
7	Santa Teresa Sertvice Co.	1,250	Similar	Nil	$1,807	-18.32%
8	Mesa Development Co	286	Similar	Nil	$1,508	-2.12%
Subject	**Vinton Hills Alegre LLC**	**285**	**Equal**	**Equal**	**$1,476**	**0.00%**
9	Picacho Hills Water and Sewer	1,651	Inferior	Positive	$1,444	2.22%
10	Edgewood Water System	1,800	Inferior	Positive	$1,439	2.57%
11	Anthony Water Wks	2,009	Inferior	Positive	$965	52.95%
	Average	$2,851			$3,034	

Based on an analysis of the above sales and the ranking analysis as well as the appraisers personal experience with the above systems the subject system given its relative location, its capacity, condition, its limited potential for growth as well as the current RCN minus depreciation, as well as the quality of the water it is reasonable to conclude that the market value of the subject within a non-regulated market would fall between comparables 8 and 9 at say $1,476 per connection X 285 estimated connections = $420,660.

Thus, the indicated market value in a non-regulated market of the subject utility utilizing the methods associated with the sales comparison approach is rounded to $421,000. Thus the subject market value "as Is" as calculated, using the sales comparison approach, is rounded to $421,000.

5. Income Capitalization Approach –Direct Capitalization

The third valuation approach will be the application of income capitalization. The first analysis that of direct capitalization will use the mean of the (2014-2016) PUC/TCEQ filings to reconstruct a operating statement from which a NOI will be capitalized using an appropriate capitalization rate. Given that this approach uses the latest years of net operating income (NOI) that are the result of the PUC/TCEQ rate based decisions and since no future change in cost or income are considered in the direct capitalization calculations then this approach is most representative of the value of the system as a regulated utility using the income approach that may then be compared to the cost-rate based calculations.

Direct Capitalization

The first step in this approach is develop an operating statement from which a stabilized Net Operating Income can be extracted. The format of the revenue and operating expenses used in the both the direct capitalization approach and the following DCF model is similar to the format used in annual filings with the PUC/TCEQ. The appraiser examined the expenses as presented in the PUC/TCEQ filings for the subject for

years 2014-2016 and found them to be somewhat aggregated but typical and average expenses of similar systems. The following Tables 6-7 and 6-8 illustrate the operating expenses as reported by the subject. The expenses on average for 2014 thru 2016 for the water system including interest and depreciation were in excess of revenues. However, the EBID data were positive. Given that the typical well run system will have expenses somewhere between 50% and 80% the appraiser believes that the Vinton Hills Alegre LLC Water system is typical for its size. Bear in mind that some expenses are aggregated and that in many small systems management including accounting and general upkeep and maintenance are borne by the owners and not charged to the system at market rates. Basically what is left over + or – goes to the owners. Based on the below data the appraiser has developed a reconstructed operating statement in Table 6-8 based on revenue/costs of the subject.

Table 6-7 Actual Reported Operating Expenses Vinton Hills Alegre LLC

Items/Year	2014	2015	2016	Average	Avg Percentage
Customers	272	282	285	280	
Metered Sales	$75,400	$78,726	$78,263	$77,463	100.00%
Other Revenues	$2,060	$0	$0	$687	
Total Revenue	$77,460	$78,726	$78,263	$78,150	
Expenses					
Power	$14,883	$15,225	$15,721	$15,276	19.72%
Chemicals/testing	$2,640	$1,848	$1,767	$2,085	2.69%
Transportation	$0	$0	$0	$0	0.00%
Salaries paid to owners/manageme	$0	$7,578	$7,949	$5,176	6.68%
Salaries paid to employees	$13,840	$12,657	$12,437	$12,978	16.75%
Contract Labor	$9,241	$0	$0	$3,080	3.98%
payroll tax	$0	$0	$0	$0	0.00%
Property Tax	$1,581	$1,581	$1,581	$1,581	2.04%
Admin Office supplies & Postage	$2,740	$0	$0	$913	1.18%
telephone & Utilities	$0	$0	$0	$0	0.00%
Dues	$0	$0	$0	$0	0.00%
Permits and filing fees	$0	$0	$0	$0	0.00%
Billing Service	$0	$0	$0	$0	0.00%
Insurance General	$1,874	$2,031	$3,405	$2,437	3.15%
Regulatory Fee	$6,026	$650	$650	$2,442	3.15%
Legal Fees	$398	$0	$0	$133	0.17%
Accounting Fees	$300	$920	$1,575	$932	1.20%
Engineering Fees	$0	$0	$0	$0	0.00%
Travel/Meals	$0	$0	$0	$0	0.00%
Bank Fees	$0	$0	$0	$0	0.00%
Consultant, legal and Lab Fees	$0	$0	$0	$0	0.00%
Equipment and Storage Rental	$0	$0	$0	$0	0.00%
Water Conservation Fee	$0	$0	$0	$0	0.00%
Bad Debts	$0	$0	$0	$0	0.00%
Office Repairs Maint	$0	$106	$131	$79	0.10%
Maint and repair	$21,609	$13,941	$23,796	$19,782	25.54%
Income Taxes	$0	$0	$0	$0	0.00%
Annual Depreciation	$0	$0	$0	$0	0.00%
Interest on Debt	$0	$0	$0	$0	0.00%
Total Expenses	$75,132	$56,537	$69,012	$66,894	86.36%
NOI	$268	$22,189	$9,251	$10,569	13.64%
Plus Depreciation	$0	$0	$0	$0	0.00%
Plus Interest on Debt	$0	$0	$0	$0	0.00%
Plus Income Tax	$0	$0	$0	$0	0.00%
EBIDTA	$268	$22,189	$9,251	$10,569	13.64%

Table 6-8 Stabilized Reconstructed Operating Expenses Vinton Hills Alegre, LLC

Items/Year	VHA Water System
Customers	285
Total Sales	$78,300
Expenses	
Power	$15,276
Chemicals	$2,085
Sludge Removal	$0
Transportation	$0
Salaries paid to owners(Management	$5,100
Salaries paid to employees	$12,000
Contract Labor	$3,000
Dues	$0
Rent office	$0
Admin Office supplies & Postage	$500
telephone & Utilities	$100
Property Tax	$1,581
Permits and filing fees	$50
Billing Service	$0
Insurance General	$2,437
Regulatory Fee	$650
Legal Fees	$150
Accounting Fees	$800
Engineering Fees	$0
Travel/Meals	$0
Bank Fees	$0
Advertising and Public Relations	$0
Equipment and Storage Rental	$0
Water Conservation Fee	$0
Bad Debts	$0
Office Repairs Maint	$100
Maintenance and Repair	$19,000
Materials and Supplies	$500
Income Taxes	$0
Taxes Other	$0
Annual Depreciation	$0
Interest on Debt	$0
Total Expenses	**$63,329**
NOI	**$14,971**
Plus Depreciation	$0
Plus Interest on Debt	$0
Plus Income Taxes	$0
EBIDTA	**$14,971**

The reconstructed operating Statement as presented above in Table 6-8 illustrates the likely stabilized revenue/costs associated with the subject without consideration of interest, depreciation, income taxes and amortization. The average resulting net income before interest, depreciation, taxes and amortization (EBIDTA) for the water system is $14,971 using the approximate average of the last three years operating statements.

The capitalization and yield rates used in this analysis are extracted from the "2017 Capitalization Rate Study" conducted by the California State Board of Equalization, this is an annual study and is a wealth of financial information. The average capitalization rate for water utilities was 7.37%. For purposes of this analysis the rate will be rounded up to 8% to account in part for the higher risk factor associated with the smaller disaggregated subject.

Based on related evidence in the appraiser's file it is reasonable to conclude that in today's low interest rate environment a *direct capitalization rate* would fall between 6% and 9%. Given today's interest rate environment, location, age and potential income producing capability a capitalization rate of .08 is an appropriate rate to use for this analysis with respect to the determination of the fee simple value in the subject utility system. This discount rate is consistent with local, regional and national surveys recently conducted and rates extracted from recent comparable risk sales. Therefore, the indicated value of the subject property, derived by capitalizing the stabilized income stream is $187,138.

	Water
Net Operating Income	$14,971
Capitalization Rate	8.0%
Indicated Value	**$187,138**

Although, the above revenues are based on the last three years regulated rate based customer charges. the above figure does include all assets of the firm excluding the transportation equipment. The figure is largely irrelevant to the current seller/buyer consideration since the utility was granted a rate adjustment with effective date of the increase being October 1 2018. The rate increase is 3.5 %.(See rate increase in Addenda). For all practical purposes and use in this analysis the rate is assumed to be effective on 1 January 2019.

The reader should note that this report is a revision and final report of the appraisal report that was transmitted to the client on January 17, 2018. The original preliminary report was based on the hypothetical condition in the discounted cash flow model that used the annual utility price rate adjustment growth factor of 1.57% through 2021 and 2% thereafter. Although a higher adjustment factor had been anticipated it was unknown at that time. Subsequently an adjustment factor of 3.5% was approved by the Public Utility Commission of Texas. The approval was made effective on 1 October 2018.

The rate adjustment does impact the DFC model used in the income approach and developed below. Thus the revised calculation for the annual growth rate in "user rates and impact fees, i.e., rows 67 and 68 in the DCF are now 3.5% for 2019 – 2021 and reduced to 2% thereafter. As the rate adjustment is based on the annual price index change (http://www.puc.texas.gov/industry/water/report/default.aspx.) the assumption for the rate is 3.5% level for three years then declines to 2% through 2038. All other factors are held constant including the weighting of the three approaches and the effective date of the appraisal.

Discounted Cash Flow Model Non-Regulated

The above adjustment can only be taken into consideration by using a discounted flow model, not direct capitalization, that can deal with the revenue and cost adjustment going forward. Therefore, the second income capitalization methodology is the development and use of a comprehensive discounted cash flow model. The income capitalization, approach considers the income potential of the subject property, under current market conditions, then subtracts for all operating expenses. The DCF is a future looking model that encompasses and discounts all cash inflows and outflows including CIAC and equity investment/requirements. The net proceeds from the hypothetical sale of the system at the end of the holding period is also a component of the discounted cash flow. The resultant present value of the DCF calculations is considered to be the current **non-regulated** market value of the utility system.

The income capitalization approach is the most widely accepted methodology used by appraisers and other utility analysts when valuing a water and sewer utility as a going concern. The discounted cash flow model used in this analysis is presented in Tables 6-9. The analysis involves the study and evaluation of the historic operations of the utility and future projections of the customer base, water demand, water revenues, operation and maintenance expenses, capital expenses, contributions in aid of construction, capitalization rates and investment liquidation.

An explanation of each of the assumptions used in the analysis of the water utility is presented below. The database used in the analysis was extracted from financial information obtained from Public Utility Commission Annual Reports and discussions with the system operator.

The following Figure 6-9 is the Discounted Cash Flow model which includes all inputs and the resultant calculations resulting in the present value of the system.

TABLE 6-9 VINTON HILLS ALEGRE LLC , DCF VALUATION MODEL

	Time Period	1	2	3	4	5	6	7	8
#	Year	2019	2020	2021	2022	2023	2024	2025	2026
1	Revenues								
2	Projected Users	285	286	287	288	289	290	291	292
3	Projected pa Avg. Rate for Water	$295.80	$306.15	$316.87	$323.21	$329.67	$336.26	$342.99	$349.85
4	Effective Gross Revenue	$84,303	$87,560	$90,941	$93,083	$95,275	$97,518	$99,810	$102,156
5	Tap and Impact Fees	$1,200	$1,242	$1,285	$1,330	$1,377	$1,425	$1,475	$1,527
6	Estimated Annual Revenues	$85,503	$88,802	$92,227	$94,414	$96,652	$98,942	$101,285	$103,682
7	Acre Ft. Water Estimated Pumped	114	114	114	115	115	116	116	116
8	Estimated Expenses								
9	Power	$15,473	$15,705	$15,941	$16,180	$16,422	$16,669	$16,919	$17,173
10	Chemicals &Testing	$2,085	$2,116	$2,148	$2,180	$2,213	$2,246	$2,280	$2,314
12	Transportation	$0	$0	$0	$0	$0	$0	$0	$0
13	Management	$5,100	$5,177	$5,254	$5,333	$5,413	$5,494	$5,577	$5,660
14	Employee Salaries	$12,000	$12,180	$12,363	$12,548	$12,736	$12,927	$13,121	$13,318
23	Contract Labor	$3,000	$3,045	$3,091	$3,137	$3,184	$3,232	$3,280	$3,330
19	Payroll Tax	$0	$0	$0	$0	$0	$0	$0	$0
15	Dues	$0	$0	$0	$0	$0	$0	$0	$0
16	Rent	$0	$0	$0	$0	$0	$0	$0	$0
17	Office Supplies and Postage	$500	$508	$515	$523	$531	$539	$547	$555
18	Telephone and Utilities	$100	$102	$103	$105	$106	$108	$109	$111
28	Property tax	$1,581	$1,605	$1,629	$1,653	$1,678	$1,703	$1,729	$1,755
20	Permits and Filing Fees	$50	$51	$52	$52	$53	$54	$55	$55
21	Billing Service	$0	$0	$0	$0	$0	$0	$0	$0
22	Insurance General	$2,437	$2,474	$2,511	$2,548	$2,587	$2,625	$2,665	$2,705
24	Regulatory Fee	$650	$660	$670	$680	$690	$700	$711	$721
25	Legal Fees	$150	$152	$155	$157	$159	$162	$164	$166
26	Accounting Fees	$800	$812	$824	$837	$849	$862	$875	$888
27	Engineering Fees	$0	$0	$0	$0	$0	$0	$0	$0
29	Bank Fees	$50	$51	$52	$52	$53	$54	$55	$55
30	Advertising and Public Relations	$0	$0	$0	$0	$0	$0	$0	$0
31	Equipment and Storage Rental	$0	$0	$0	$0	$0	$0	$0	$0
32	WaterConservation Fee	$0	$0	$0	$0	$0	$0	$0	$0
33	Bad Debts	$0	$0	$0	$0	$0	$0	$0	$0
34	Office Repairs and Maint	$100	$102	$103	$105	$106	$108	$109	$111
35	System Maint and Repairs	$8,000	$8,120	$8,242	$8,365	$8,491	$8,618	$8,748	$8,879
36	Materials and Supplies	$500	$508	$515	$523	$531	$539	$547	$555
37	Misc	$250	$254	$258	$261	$265	$269	$273	$277
38	Total Operating Expenses	$52,826	$53,618	$54,423	$55,239	$56,068	$56,909	$57,762	$58,629
39	Operating Expense as % of Gross Water Revenue	61.78%	60.38%	59.01%	58.51%	58.01%	57.62%	57.09%	56.55%
40	Net Effective Income	$32,677	$35,183	$37,804	$39,175	$40,584	$42,033	$43,523	$45,054
42		1	2	3	4	5	6	7	8
43	Year	2019	2020	2021	2022	2023	2024	2025	2026
44	Additions - Capital Expenses								
45	Capital Expenditures-Wells Pumps Etc	$10,000	$10,150	$10,302	$10,457	$10,614	$10,773	$10,934	$11,098
46	Capital Exp.for Transmission & Distribution	$500	$508	$515	$523	$531	$539	$547	$556
47	Water Rights								
48	Reserves for Replacement and Retrofit	$1,425	$1,430	$1,435	$1,440	$1,445	$1,450	$1,455	$1,460
49	Total Capital Expenses	$11,925	$12,088	$12,252	$12,420	$12,589	$12,762	$12,936	$13,113
50	CIAC Revenue	($360)	($365)	($371)	($376)	($382)	($388)	($394)	($400)
51	Net Capital Expensea	$11,565	$11,722	$11,882	$12,043	$12,207	$12,374	$12,543	$12,714
52									
53	Net Revenues	$21,112	$23,461	$25,923	$27,132	$28,377	$29,659	$30,980	$32,340
54	PV of Net Revenues	$19,768	$20,569	$21,290	$20,654	$20,422	$19,696	$19,547	$19,106
56	Sum of Present Values	$356,850	76.78%						
57	Present Value net proceeds from sale	$107,946	23.22%						
57a	Value of perfected water rights if regulated rate is used	$0							
58	Income or Unperfected Water Rights	$0.00							
59	Total Present Value	$464,896	100.00%						
60	Per Connection	$1,631							
61	Inputs								
62	Avg. Mthly User Rate (regulated rate 2018)	$24.65	$25.51	$26.41	$26.93	$27.47	$28.02	$28.58	$29.15
63	Number of current users End of 2017	285							
64	annual growth in users	1							
65	Tap and Impact Fees	$1,200							
66	per customer annual ac ft. billed	0.3989							
67	annual growth rate in user rates & Impact Fees 2019-2021	1.035							
68	annual growth rate in user rates & Impact Fees 2022-2038	1.02							
68	Avg. Water Rate 2018 per year	$295.80							
69	yield rate for water utilities	0.068							
70	Marginal Transmission & Distribution Cost Per Customer	$500							
71	CIAC as % of T & D Cost Per Customer	72.00%							
72	growth rate in expenses (Factor-%)	1.015							
73	Annual water cost increase	0.00%							
74	Selling Cost	10.00%							
75	Terminal Cap Rate	8.50%							
76	Percentage of gross revenue going to investor capital Expense	11.86%							
75	Reserves for Replacement and Retrofit per Cust.	$5.00							

Table 6-9 Vinton Hills Aleger LLC DCF Valuation Model Contd

9	10	11	12	13	14	15	16	17	18	19	20	Totals
2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	
293	294	295	296	297	298	299	300	301	302	303	304	
$356.85	$363.98	$371.26	$378.69	$386.26	$393.99	$401.87	$409.90	$418.10	$426.46	$434.99	$443.69	
$104,556	$107,011	$109,522	$112,091	$114,719	$117,408	$120,158	$122,971	$125,848	$128,792	$131,803	$134,882	$2,180,405
$1,580	$1,635	$1,693	$1,752	$1,813	$1,877	$1,942	$2,010	$2,081	$2,154	$2,229	$2,307	$33,936
$106,136	$108,646	$111,215	$113,843	$116,533	$119,285	$122,100	$124,981	$127,929	$130,945	$134,032	$137,189	$2,214,340
117	117	118	118	118	119	119	120	120	120	121	121	
$17,430	$17,692	$17,957	$18,226	$18,500	$18,777	$19,059	$19,345	$19,635	$19,930	$20,228	$20,532	$357,793
$2,349	$2,384	$2,420	$2,456	$2,493	$2,530	$2,568	$2,607	$2,646	$2,686	$2,726	$2,767	$48,213
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$5,745	$5,831	$5,919	$6,008	$6,098	$6,189	$6,282	$6,376	$6,472	$6,569	$6,667	$6,767	$117,931
$13,518	$13,721	$13,926	$14,135	$14,347	$14,563	$14,781	$15,003	$15,228	$15,456	$15,688	$15,923	$277,484
$3,379	$3,430	$3,482	$3,534	$3,587	$3,641	$3,695	$3,751	$3,807	$3,864	$3,922	$3,981	$69,371
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$563	$572	$580	$589	$598	$607	$616	$625	$634	$644	$654	$663	$11,562
$113	$114	$116	$118	$120	$121	$123	$125	$127	$129	$131	$133	$2,312
$1,781	$1,808	$1,835	$1,862	$1,890	$1,919	$1,947	$1,977	$2,006	$2,036	$2,067	$2,098	$36,559
$56	$57	$58	$59	$60	$61	$62	$63	$63	$64	$65	$66	$1,158
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$2,745	$2,786	$2,828	$2,871	$2,914	$2,957	$3,002	$3,047	$3,093	$3,139	$3,186	$3,234	$56,352
$732	$743	$754	$766	$777	$789	$801	$813	$825	$837	$850	$863	$15,030
$180	$172	$174	$177	$179	$182	$185	$188	$190	$193	$196	$199	$3,459
$901	$915	$928	$942	$956	$971	$985	$1,000	$1,015	$1,030	$1,046	$1,062	$18,499
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$56	$57	$58	$59	$60	$61	$62	$63	$63	$64	$65	$66	$1,158
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$113	$114	$116	$118	$120	$121	$123	$125	$127	$129	$131	$133	$2,312
$9,012	$9,147	$9,284	$9,424	$9,565	$9,708	$9,854	$10,002	$10,152	$10,304	$10,459	$10,616	$184,969
$563	$572	$580	$589	$598	$607	$616	$625	$634	$644	$654	$663	$11,562
$282	$286	$290	$294	$299	$303	$308	$313	$317	$322	$327	$332	$5,781
$59,508	$60,401	$61,307	$62,226	$63,160	$64,107	$65,069	$66,045	$67,035	$68,041	$69,062	$70,098	$1,221,531
56.07%	55.59%	55.12%	54.66%	54.20%	53.74%	53.29%	52.84%	52.40%	51.96%	51.53%	51.10%	
$46,628	$48,246	$49,908	$51,617	$53,373	$55,177	$57,032	$58,937	$60,894	$62,905	$64,970	$67,092	$992,810
9	10	11	12	13	14	15	16	17	18	19	20	
2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	
$11,265	$11,434	$11,605	$11,780	$11,956	$12,136	$12,318	$12,502	$12,690	$12,880	$13,073	$13,270	$231,237
$563	$572	$580	$589	$598	$607	$616	$625	$634	$644	$654	$663	$11,562
												$0
$1,465	$1,470	$1,475	$1,480	$1,485	$1,490	$1,495	$1,500	$1,505	$1,510	$1,515	$1,520	$29,450
$13,293	$13,476	$13,661	$13,848	$14,039	$14,232	$14,428	$14,627	$14,829	$15,034	$15,242	$15,453	$272,249
($409)	($412)	($418)	($424)	($430)	($437)	($443)	($450)	($457)	($464)	($471)	($478)	-$8,325
$12,888	$13,064	$13,243	$13,424	$13,609	$13,795	$13,985	$14,177	$14,373	$14,571	$14,771	$14,975	$263,924
$33,740	$35,182	$36,685	$38,193	$39,764	$41,382	$43,047	$44,759	$46,521	$48,334	$50,199	$52,117	$728,885
$18,664	$18,222	$17,782	$17,343	$16,907	$16,475	$16,046	$15,622	$15,203	$14,790	$14,383	$13,981	
										Sale Price		$613,137
										Cost of Sale		$61,314
										Net Proceeds from sale		$551,823
$29.74	$30.33	$30.94	$31.56	$32.19	$32.83	$33.49	$34.16	$34.84	$35.54	$36.25	$36.97	

6. Discounted Cash Flow Inputs

Growth Rate

The growth rate of Vinton Hills Alegre, LLC customer base on average from 2010 through 2017has been approximately 1 connection per year a relatively slow rate. Although there has been have little to no growth the Vinton Hills Alegre, LLC estimates and the appraiser agrees that the current service area has experienced a slowdown in growth due to the national economic decline starting in 2008. However, it is expected that the housing market has bottomed out and the local economy should see a turnaround in 2017. Currently there are approximately 46 platted lots in various subdivisions in the service area and it likely that these lots would be absorbed within the next 15-20 years while new subdivisions will be coming on line. Therefore, for purposes of this analysis the projected utility connections for water will set at a rounded figure of one (1) per year with no annual variation. The appraiser believes that this is a conservative figure as the El Paso and south Dona Ana County market is still strong and is anticipated to continue its steady 2.75% to 3.5% per year increase in population.

For purposes of the DCF analysis a holding period of 20 years is used. This means that it is assumed that an investor will hold the water utility for 20 years. At the end of that period it is further assumed that the system is sold at the capitalized value of the final years net operating income. The terminal capitalization rate is listed as a component of the "inputs". The terminal capitalization rate is set at 8.5% which is 170 basis points above the going in yield rate. This is a typical convention in order to account for the unknown risks over the 20 year period and to maintain a conservative approach to the net proceeds from a hypothetical sale.

Revenues

The appraiser's client and recipient of the report are both familiar with the system and its needs. Therefore the only details presented here are those that are necessary to understand the workings and rational of the DCF and proforma analysis presented in the DCF Model. The projected revenues are based on the current PUC water rates for metered service increasing on average by 3.50% per year to 2021 and assumed 2% per year thereafter. This assumption as to future rate increases is based on the belief that any owner would be able to maintain a rate consistent with anticipated inflation and some degree of maintaining a reasonable ROI. The 2% figure is believed to be reasonably conservative. The following rates are currently in effect. The increases are applied both to the minimum as well as the gallonage. Therefore the average annual and monthly bills will be used as the adjusted factor.

Average Monthly User Rate Water going into 2018	$ 24.65
Estimated Number of Users by end of 2018 (Water)	285
Annual growth in customer connections	1

In 2016 total pumped water was 116.14 acre ft or 37,803,000 gallons. In 2016 the average acre foot used per customer was .398 acre feet including losses. Assuming 2.7 persons per household this equates to

approximately 132 gallons per person per day. This is somewhat high compared to national averages. The rate of water usage in this analysis is expected to remain constant at .398 ac ft per connection through final build out. There are no other significant sources of revenue so that the effective gross water revenue is equal to the projected total annual revenues. The DCF model uses the actual figures at the end of 2018 which are 285 water connections at an average annual rate of $295.80. The total gross water revenues projected for the year 2017 or the first time period is $84,303. The water rates are projected to increase at 3.50% per year to 2021 and 2% per year thereafter.

A second source of revenue projected for the system is Tap/impact fees. For purposes of this analysis the impact fee is initiated at a conservative figure of $1200 per lot. Only one additional tap fee is projected per year. The rate is expected to increase at at the same rate as the water rate per year.

Overall operating expenses are projected to increase at a 1.5% annual rate consistent with general inflation. This compound growth rate in expenses over the holding period results in a 33.3% increase in overall expenses from 2019 to the end of 2038 from $52,586 to $70,098. Additional capital expenses are expected to total approximately $263,924 over the holding period. This will be necessary to accommodate the increase in the complexity of the system as new extensions and well replacements are put in place and the customer base expands as well as general inflationary forces. The appraiser recognizes that all rate increases, regulated or not, may not occur in an even flow as that presented in the DCF but rather could be in larger single adjustments (lumpy) that cannot be predicted.

The first time period total operating expenses, pro-forma line items #9 through #37, are estimated to be $52,826 or 61.78 % revenue of gross for the water system. This figure does not contain any non-cash depreciation expense or interest expense or income tax. The operating expenses presented represent the appraiser's reconstructed expense statement which among other adjustments leaves out owner salaries but does have a component for management of 5.9% and inserts a component for reserves for replacement and retrofit of $5.00 per connection per year. Also $150 has been added for legal and $800 for accounting expenses have also been added in order to reflect the expected typical expenses. The resultant expenses are necessary and the percentage that expenses are of gross revenues is reasonable and typical for this small system. Also note that unlike the PUC filings that have on maintenance and repair figure line item #35 but no capital investment it is clear to this appraiser that some of these expenses should be allocated to capital investment. Thus the appraiser has split this expense item and has applied initially $10,000 or a factor of 11.86% of gross revenue to capital expenses line item #49. Expenses are projected to increase at a rate of 1.5% per year.

The Proforma line item #39 calculates operating and maintenance expense as a percentage of gross system revenue. The Proforma line item #40 calculates the net operating income as the difference between the gross revenue line item #6 and the total operating expenses line item #38 for the year.

ADDITIONS AND CAPITAL EXPENDITURES

The Proforma line item #45 is estimated capital expenses. These projections are based on a reasonable assumption that every year approximately 11.86% of the gross revenues of the subject is expended as a capital investment. Total capital expenditures over the entire 20 year holding period are $231,237 or 51% of the depreciated value established in the cost approach above. These figures are deemed reasonable and probable but are the opinion/experience of the appraiser and not based on engineering evidence or reports provided to the appraiser. Note that the system has been operating debt free and it is assumed that this will continue and that capital investment will continue to come from on going cash flow.

The general consensus of the current owner and it is the appraiser's opinion based on the data presented to this appraiser is that the system as it currently is operating can provide sufficient water in the long run for the projected customers over the holding period and to a point of full build out of the service area. Therefore sources of supplemental water, additional water rights and new water sources need not be found nor considered in the analysis.

The proforma line item #46 is the annual transmission and distribution line extensions expenses for the projected one (1) new connection each year. This expense is based on a figure of $1200 per connection and is based on 41.6% the current total investment per connection as listed in the total plant investment from the PUC/TCEQ annual reports. The figures are also consistent with the original cost estimates for the distribution and collection lines and consistent with the typical expenses incurred by similar water companies on a per connection basis on high density lot subdivisions.

Line item #47 is for additional water purchases which is not necessary for this system.

Line item #45 Reserves for Replacement and Retrofit is based on a rate of $5.00 per existing connection per year escalating at the water rate. These funds represent the cost of retro-fitting, replacing and minor repairs on individual connections for move-outs, move-ins etc.

Line item #49 is the sum of all projected capital expense items.

Line item #50 is the anticipated revenues from contributions in Aid of Construction. This figure is based on the typical long term ratio of 72% of total transmission and distribution cost line item #46. This ratio is consistent with the historic data contained in the PUC/TCEQ filings and similar systems. The figure is presented in the proforma analysis as a negative although it is actually a revenue source. This is simply a convention within the spreadsheet to arrive at the Net Capital Expenses, line item #51.

Line item #53 is the resultant projected net revenues from the system. It is the result of subtracting line item #51 Net capital expenses from the Net operating income, line item #40. It is this net revenue that is discounted to its present value.

DISCOUNT RATES AND PRESENT VALUES

In order to determine an appropriate yield rate, the appraiser has reviewed substantial market data relating to various types of investments carrying various levels of risk and has concluded that a yield or discount rate of 6.8% is a reasonable and supportable rate to use. This capitalization rate is 100 basis points above the weighted cost of capital to the typical system as detailed above and 120 bp below the direct capitalization rate of 8%. The yield rate is used to convert the Net Revenue income stream into its present value. Line item #54 is the present value of the projected revenues for each year for the 20 year holding period discounted back to 2018. Line item #56 is the sum of the present values related to the income stream.

The present value of the projected net revenues up to and including the 20th year, discounted at 6.8% is $356,950 for the water system. This represents the present value of the net cash flows to the end of 2038 the year in which the subject is expected to be sold. At that time the system is projected to be sold. This is a typical convention used in DCF models in order to account for the fact that the cash flows will continue into the foreseeable future.

The sale of the system is projected to be at the end of the 20th year or 2038 The sale price is the capitalized value of the projected net revenue stream or 2038. The projected water net revenue for year 2038 is approximately $67,092. The terminal capitalization rate or rate used to convert the net revenue into a sale price is 8.5%. This is 170 basis points above the yield or discount rate and is a necessary convention to account for risk over time and the fact that the calculation is one of direct capitalization as opposed to a yield rate used in a discounted cash flow. The 8.5% rate is a reasonable and supportable rate and reflects the inherent risks associated with predicting the future sale price.

The 8.5% rate converts the combined net revenue to a projected sale price of $613,137, i.e. ($52,117/ .085 = $613,137). From this amount must be subtracted the estimated cost of the sale which is 10%. This figure is a typical transaction cost of this class of property. The result is a net sale price of $551,823. The net proceeds from the sale received at the end of 2038 must be discounted back to its present value at the discount rate of 8.5%. This results in a present value figure of $107,946.

INVESTMENT LIQUIDATION SUMMARY

	Vinton Hills Alegre LLC.
Net Revenue in 2038	$52,117
Divided by Cap Rate	.085
= Projected Sale Price	$613,137
- Cost of Sale (10%)	- $61,314
= Net Proceeds from Sale	$551,823
Discounted value Proceeds from Sale	$107,946

The present values of the net revenues from cash flow and the present value of the projected net revenues from the sale represent the estimated current market value of the collective water system. The value is **$464,896.**

Thus the market value (Non-Regulated) of the Vinton Hills Alegre LLC Water system using the method associated with the income capitalization approach, DCF model, is rounded to $465,000.

9. Summary and Reconciliation of Valuation Analysis

The valuation analysis conducted above calculated the estimated market value of the subject site using the methods and techniques associated with the cost approach, the sales comparison approach, and the income approach, all leading appropriate indications of market value. The following is a summary of the indicated values arrived at by the various approaches.

Indicated Market Values by Three Methods

Method	Current Market Value of Going Concern VHA, LLC Water System
Cost	$452,000
Market	$424,000
Income	$465,000
Mean	$447,000

Given the range of the indicated individual and mean values and considering the applicability and reliability of the supporting data used in the three approaches a weighted average mean has been calculated as follows. The various weights are based on the appraiser's assessment of the reliability and market influence of each approach.

Current Market Value of Going Concern

Water and Sewer Non-Regul	Indicated Valu	Weight	Weighted Value
Cost	$452,000	30%	$135,600
Sales	$424,000	20%	$84,800
Income	$465,000	50%	$232,500
Market Value:Non-Regulated		100%	$452,900
Rounded			**$453,000**
Per Connection			**$1,589.47**

Based on the above analysis it is the appraiser's opinion that the indicated market value of the subject within the rate based "non-Regulated Market" is estimated to be $453,000.

Section VI
§
Certification

SECTION VII CERTIFICATION

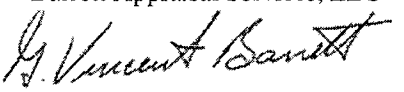
This is to certify that effective January 8, 2018 the estimated current fair market value of the fee simple ownership of the subject property is:

Based on the above analysis it is the appraiser's opinion that, the indicated market value of the subject within the "Non-Regulated Market" is estimated to be $453,000.

The undersigned appraiser does hereby certify, except as may be otherwise noted in the report, the following.

1) To the best of our knowledge and belief, the statements of fact contained in this report are true and correct.
2) The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are the personal, unbiased professional analysis, opinions and conclusions of the undersigned appraisers.
3) The appraiser has no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4) The undersigned appraiser has no present or prospective ownership interest in the property that is the subject of this report nor a personal interest or bias with respect to the parties involved with this assignment.
5) Compensation is not contingent on any action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
6) The appraiser's compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction of value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result or the occurrence of a subsequent event that is directly related to the intended use of this appraisal.
7) The appraisal assignment was not based on a requested minimum valuation, a specific valuation or approval of a loan.
8) To the best of our knowledge and belief, 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 and Standards of Professional Appraisal Practice of the Appraisal Institute.
9) The use of this report is subject to the requirement of the Appraisal Institute relating to review by its duly authorized representatives.
10) As of the effective date of this report, Dr. G. Vincent Barrett, MAI, has completed the requirements of the continuing education program of the Appraisal Institute.
11) The appraiser's analysis, opinions, and conclusions are developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice.*
12) Dr. G. Vincent Barrett has made a personal inspection of the property that is the subject of this report.
13) This appraisal was prepared by the undersigned appraiser with no other professional assistance.
14) The appraiser has conducted an appraisal of this property within the three year period immediately preceding acceptance of this assignment.

Barrett Appraisal Services, LLC



Dr. G. Vincent Barrett, MAI
NM/ TX General Certified Appraiser
NM 506-G
TX 424-G

ADDENDA CONTENTS

Letter of Engagement

Re: Appraisal Proposal for three Water Systems in Vinton, Tx

BS brenda schneider <schneiderbrenda728@gmail.com>

Reply

Today, 9:54 AM
You

Inbox

Vinton Hills Alegre, LLC. - Karl Schneider

In response to your email dated 11/29/17. You may proceed with appraisal of the three water systems. Down payment of $2089.53 will be sent to you on Dec. 15th or 30th.

Thanks, Karl

Vinton Hills Alegre, LLc
P.O. Box 428 Anthony, New Mexico 88021
Cell 915 637 1438
Fax 575 233 5008

On Wed, Nov 29, 2017 at 1:20 PM, G. Vincent Barrett <gvincent4@hotmail.com> wrote:

Carl

In response to your RFP for a commercial appraisal on the three water systems in Vinton I am proposing the following:

Type of report: Commercial Appraisal Report.

Format: Being the appraiser's summary narrative format.

Type of Submittal: The final report will be delivered in PDF format by E-mail thereby eliminating cost and time consuming delivery of hard copies. The client may simply print out as many copies as is necessary and deliver to readers with the speed of E-Mail.

Scope of work anticipated: Scope sufficient to meet all USPAP requirements including