May 8, 2023

Mr. Lee Dorf
Cushman & Wakefield of Pennsylvania, Inc.
One Liberty Place, 1650 Market Street, 48th Floor
Philadelphia, PA 19103

Mr. Robinson Wilson
Appraisal Analytics Incorporated
1301 Midway Road, Suite 102-210
Dallas, TX 75244

Mr. Joseph Batis
Utility Valuation Experts, Inc.
313 N. Chicago Street
Joliet, IL 60432

RE: SYSTEM APPRAISAL – GUADALUPE-BLANCO RIVER AUTHORITY (GBRA)
CALHOUN COUNTY RURAL WATER SYSTEM AND CRESTVIEW SUBDIVISION WASTEWATER SYSTEM
MRB GROUP PROJECT NO. 2774.23001.000

Dear Mr. Dorf, Mr. Wilson, and Mr. Batis (Appraisers):

GBRA owns and operates a water and sewer system in Calhoun County, Texas. GBRA is in the process of selling its Calhoun County Rural Water System and Crestview Subdivision wastewater system. The potential buyer has been identified as Undine Texas and Undine Environmental. As part of the determination of fair market value, the utility elected to have its system reviewed by independent appraisers who prepare a total system evaluation of the assets. MRB Group has prepared this report to support the appraisal process and provide a professional engineering opinion of the operational condition of the system. The process is outlined in statutes of the Texas Water Code §13.305(c)(4).

MRB Group (MRB) appreciates the opportunity to work with you as the Appraisers on this project.

Introduction

MRB attended a site meeting on March 22, 2023. Present at the meeting were representatives from two of the three appraisers. One appraiser conducted a site visit independent of MRB's visit. Mr. Doug Hearn of Hearn Engineering, Inc., representing Undine, conducted the site visit. MRB's purpose at the meetings was to complete a condition assessment and develop an asset list at each facility. The site visit included observations at Six-Mile Booster Pump Station and the Crestview Subdivision Wastewater Treatment Plant.

Data Collection

Evaluation of the system includes on-site observation and review of available records. The following documents were reviewed as part of the evaluation:

- Available Water and Sewer System maps provided by Hearn Engineering.
- TPDES Permit WQ0013954001 for GBRA Crestview Subdivision Wastewater Treatment Facility issued February 10, 2020.
- TCEQ Water System Summary Sheet for GBRA Calhoun County Rural Water System (TX0290007).
- TCEQ Water System Detail Information for GBRA Calhoun County Rural Water System (TX0290007).
- TCEQ Central Registry listing of Notice of Violations for GBRA Calhoun County Rural Water System.
- TCEQ Central Registry listing of Notice of Violations for Crestview Subdivision Wastewater Treatment Plant.

Condition Assessment

GBRA Calhoun County Rural Water System and Crestview Subdivision Wastewater Treatment Plant predominately serve single-family homes with a few commercial establishments. As reported on TCEQ's website on May 4, 2023, the GBRA Calhoun County Rural water system has 1,494 metered water connections.

The following is a brief summary of the major components of each system:

Crestview Subdivision Wastewater Treatment Plant and Collection System

The wastewater treatment plant consists of a lift station, plant headworks, one aeration basin, one mechanical clarifier, one aerobic digester/sludge holding basin, and one chlorine contact basin for final disinfection. The blowers for the aeration basin and digester are located inside small sound reducing enclosures adjacent to the treatment structure. A sodium hypochlorite drum is located inside a wood structure adjacent to the chlorine contact basin. An emergency generator, powered by propane, is also located on the site. The wastewater treatment plant is constructed on land owned by GBRA, according to information on the Calhoun County Appraisal District website.

The collection system consists of unknown size of gravity sewers.

GBRA Calhoun County Rural Water System

Six-Mile Booster Pump Station and Distribution System

The booster pump station consists of one (1) hydropneumatic storage tank and one (1) above-ground storage tank. The hydropneumatic tank has a capacity of 5,000 gallons. The site has a welded steel 34,000-gallon ground storage tank. The two (2) distribution system pumps, reportedly rated at 225 gallons per minute each, are located within a building on the site. Sodium hypochlorite is stored in a 30-gallon drum in the pump building. Treated surface water is received from GBRA Port Lavaca Surface Water Treatment Plant and direct pressure from Port Lavaca. According to the Calhoun County Appraisal District website, the water plant is constructed on land owned by the GBRA.

The distribution system consists of various sizes of pipe and is constructed of various pipe materials. There are approximately fifty (50) isolation valves and fifteen (15) flush valves indicated on the available plans for the system.

Assessment Methodology

MRB Group utilized TCEQ's guidance for asset management: Managing Small Domestic Wastewater Systems: Asset Management (RG-530a) dated September 2017 and Managing Small Public Water Systems: Asset Management (RG-501a) dated October 2016. The following was used in order to establish a priority and condition rating for system assets:

Table 1: Prioritization Rating	
Description	**Priority**
Effective life exceeded and/or excessive maintenance cost incurred. A high risk of breakdown or imminent failure with serious impact on performance. No additional life expectancy; immediate replacement or rehabilitation needed. Asset is highly critical to infrastructure of system and in providing adequate treatment and maintaining compliance.	1
Very near end of physical life. Substantial ongoing maintenance with short, recurrent maintenance levels is required to keep the asset operational. Unplanned corrective maintenance is common. Renewal (refurbishment or replacement) is expected within the next year or two.	2
Asset functions but requires a sustained high level of maintenance to remain operational. Shows substantial wear and performance is likely to deteriorate significantly. Renewal (refurbishment or replacement) is expected within the next two to three years.	3
Asset is sound and well-maintained but may be showing some signs of wear. Delivers full efficiency with little or no performance deterioration. Virtually all maintenance is planned and preventative. At worst, only minor repair might be needed at this time.	4
Asset is like new, fully operable, well maintained, and performs consistently at or above current standards. Little wear shown and no further action required.	5

A detailed list of system assets is included as Attachment A. The condition of the asset, including the prioritization rating, is included within the table along with the estimated remaining useful life. The approximate year of installation of the asset is included in the Attachment A table. If no year was known, MRB estimated the approximate asset age. The National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts for Class C Water and Wastewater Utilities account code has been added to the table.

Regulatory Compliance

MRB Group reviewed publicly available documentation on compliance history for both the water and wastewater systems for GBRA.

Wastewater Treatment Plant

TCEQ's website lists one (1) active Notice of Violations for failure to provide a secondary flow measurement device. Previously resolved issues of non-compliance included failure to properly analyze effluent samples. Both of these violations occurred in July 2022.

Water Plant

According to the TCEQ website, the water plants have three (3) resolved violations which date back to 2018. These resolved violations included failure to have tank capacity of 200 gallons per connection, failure to keep up-to date records on plant operations and failure to collect chlorine, free ammonia and monochloramine samples weekly.

Summary Analysis

Based on our site visit, MRB Group made the following observations at the various facilities. Photographic documentation taken during the site visit is included in Appendix B, and the specific photo illustrating the observation is referenced below.

The following deficiencies, non-standard practices, safety concerns, or TCEQ non-compliant standards were observed. Items in **bold** font are considered critical deficiencies or safety concerns that should be addressed immediately to ensure safe operation of the facilities.

Crestview Subdivision Wastewater Treatment Plant (Photo #1)

- Headworks Lift Station (Photo #2)
  - Lift station pump data was not available to confirm capacity of station.
- Rags and other fibrous materials tend to accumulate on static wedge wire screen, which requires frequent maintenance. If not maintained, it can overflow onto the surrounding ground. (Photo #3 and #4)
- The electrical outlet nearby the drum holding solids from the screen does not appear to be ground fault circuit interrupter (GFCI) protected. (Photo #5)
- Water is not being used to spray down the clarifier on a regular basis, and organic buildup is occurring in the clarifier (Photo #6).
- The wastewater treatment plant equipment was previously located elsewhere and relocated to the site. Holes in the walls for former piping have been patched and should be monitored. (Photos #7 and #8)
- Grating was reused at this location. Bent bars or holes exist in the grating which may cause a tripping hazard. (Photos #9 and #10)
- It couldn't be confirmed that the generator is operational and wired to the system. No automatic transfer switch is located in one of the wooden sheds. (Photo #11)
- Small (2"x3") holes have been cut in the steel supports of the chlorine contact tank which are being used to route the sodium hypochlorite tubing. Tubing could be easily snagged and/or broken. (Photo #12)
- There is only one flow measuring device on the outfall of the wastewater treatment plant. TCEQ regulations require two measuring devices. (Photo #13)

Six-Mile Booster Pump Station, Lake Placedo Road (Photo #14)

- The 34,000-gallon welded steel ground storage tank is exhibiting signs of coating failure. The tank and associated piping should be inspected, and areas of rust addressed. (Photos #15)
- No exterior level gauge or board was present on the exterior of the 34,000-gallon tank to indicate the height of the water inside the tank.
- The ladder guard on the 34,000-gallon ground storage tank has become bent and no longer is securely attached to the ladder. This should be

corrected to prevent unauthorized climbing of the ground storage tank. (Photo #16).

- There is no OSHA safety cage on the ladder of the 34,000-gallon ground storage tank. (Photo #16)
- The overflow pipe on the 34,000-gallon ground storage tank discharges approximately 4-feet above grade level but the pipe support is in conflict with the tank drain. (Photo #17)
- The 34,000-gallon ground storage tank does not have a name plate. (Photo #18).
- The piping and valves on the booster pump are a combination of various metals which have not been separated, causing rust to form. Installing dielectric flange isolation kits between the dissimilar metals should be considered. (Photo #19).
- The electrical outlets inside the booster pump station do not appear to be GFCI protected. (Photo #20)
- Multiple cracks and step cracks were observed on the booster pump station building which should be evaluated by a structural engineer. (Photo #21 and Photo #22).
- **30 TAC 290.42 requires that safety equipment per OSHA standards is present at the facility, which would include an emergency eye wash and personal protective equipment for the sodium hypochlorite chemical stored on-site. No safety equipment was observed during the site visit.**
- The exterior coating on the 5,000-gallon hydropneumatic tank is exhibiting signs of failure and the tank is beginning to rust. The exterior of the tank is in need of recoating. (Photo #23).
- The 5,000-gallon hydropneumatic tank does not have a name plate or an ASME certification. (Photo #24).

TCEQ regulation TAC §290.45 outlines capacity requirements for wells, total storage, distribution pumps, storage tanks (elevated and pressure), and emergency power requirements for each connection to community water systems. The following table summarizes the allowable number of connections based on individual components of the water system and the limiting component determining the maximum number of connections.

System Component	Possible Number of Connections
Total Storage Capacity (200 gallons/connection)	170
Booster Pump Capacity (2 gpm/connection)	225
Pressure Tank Capacity (20 gallons/connection)	250
Emergency Power*	-
Limiting System Component: Storage Tank Capacity	**170**
Current Number of Connections	(1)

*Emergency power is required for systems with more than 250 connections. Currently a generator connection is at the site.
(1)The exact number of connections served by the Six-Mile Booster Pump Station is unknown.

TCEQ regulation TAC §217.32 (a)(3) Table B.1 outlines design-organic loadings and flows for new wastewater treatment systems. Current influent sampling data is not available, and the analysis below is based on the organic loadings outlined in Table B.1. The following table summarizes the allowable number of connections based on flow and organic loadings of the wastewater system and the limiting component determining the maximum number of connections. For organic loadings, we calculated the theoretical number of connections based on the approximate size of the aeration basins and clarifiers. For the aeration basin, we assumed an organic loading rate of 35 pounds per 1,000 cubic feet of basin, and in the clarifiers, we assumed a surface loading rate of 600 gallons per day per square foot at average flow.

System Component	Possible Number of Connections
Flow (current permit limit 30,000 gal/day)	120
Organic Loading – Aeration Basins	290
Organic Loading - Clarifier	482
Limiting System Component: Flow:	**120**
Current Number of Connections	61*

*Assumed based on the approximate number of houses on the street.

Engineer's Opinion of Probable Construction Cost

MRB Group has prepared a preliminary Engineer's Opinion of Probable Construction Cost (EOPCC) for the existing infrastructure. The cost considers efficiencies in replacement with readily available materials, equipment, and labor. The cost considers replacement in kind with similar processes and technology. We have assumed that competitive bidding by a qualified contractor will be utilized.

Within our opinion of construction costs, the following assumptions were made:

- At the wastewater treatment plant, ductile iron piping will be utilized for treatment system piping.
- The blowers for aeration units will be housed within a structure to protect from the elements.
- The water system distribution piping will be PVC, and the gravity sewer piping will be SDR-35. Forcemain piping will be ductile iron.

Our EOPCC for each of the systems is included within the asset table in Attachment A. A summary of complete replacement costs is as follows:

Description	**Cost**
Crestview Wastewater Treatment Plant	$ 1,032,430
Wastewater Collection System	$ 649,200
Six-Mile Booster Pump Station	$ 301,480
Water Distribution System	$ 33,642,815
Total:	**$ 35,625,925**

Conclusion

The information contained in this report is the opinion of MRB Group based on information available to us. Our opinion is based on observations made during the site visit, information provided by the Client and Owner, publicly available information, reference literature, and standard industry practices.

Please contact us with questions or concerns.

Sincerely,

Trey Taylor, P.E.
Central Texas Operations Manager

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Attachment A: Asset Summary
Attachment B: Photos

Guadalupe-Blanco River Authority (GBRA)

Asset	Year Installed (if known)*	Condition	TCEQ Expected Useful Life (years)	Remaining Useful Life (years)	Quantity Square Foot (SF) Linear Foot (LF) Dimensions	Replacement Cost	NARUC Uniform Codes of Accounts
Crestview Subdivision Wastewater Treatment Plant - 636 Bayou Drive, Calhoun County, TX							
Land	N/A	N/A	N/A	N/A	0.3568 Acres	$ 10,280	353
6' High Chain-link Perimeter Fence with Gates and Barbed Wire	2000	3	20	<5	410 LF	$ 26,650	354
Access Drive	2000	3	20	<5		$ 10,000	354
Lift Station at Plant Headworks with 2 submersible pumps and valves	2000	4	30	7	4' diameter x unknown depth wet well	$ 100,000	370
Static Wedge Wire Screen	2021*	4	15	13		$ 75,000	380
Aeration Basin #1 - Structure	2021*	4	30	28	4320 CF	$ 150,000	380
Aeration Basin #1 - Equipment	2021*	3	12	10		$ 50,000	380
7.5 HP Blower #1 with Sound Enclosure	2021*	2	15	<5		$ 15,000	380
7.5 HP Blower #2 with Sound Enclosure	2021*	2	15	<5		$ 15,000	380
7.5 HP Blower #3 with Sound Enclosure	2021*	2	15	<5		$ 15,000	380
Mechanical Clarifier #1	2021*	3	30	20	16' diameter	$ 100,000	380
Chlorine Contact Tank #1 with "V" notch weir	2021*	4	30	28	300 CF	$ 30,000	380
Hypochlorite Storage Building	2021	3	10	8		$ 1,500	354
Sodium Hypochlorite Tank	2021	4	20	18	30 gal drum	$ 1,000	389
Chlorine Metering System	2021	4	7	5		$ 2,000	380
Flow Meter	2021	4	15	13		$ 6,000	364
Outfall Pipe - Approx. 250 LF	2000	4	50	27	12" C-900 PVC Pipe	$ 25,000	382
Aerobic Digester/Sludge Holding Basin #1 - Structure	2021*	4	30	28	1320 CF	$ 100,000	380
Aerobic Digester/Sludge Holding Basin #1 - Equipment	2021*	3	15	13		$ 30,000	380

*Equipment was relocated to this site from an unknown site. Exact age of equipment is unknown.

Guadalupe-Blanco River Authority (GBRA)

Asset	Year Installed (if known)*	Condition	TCEQ Expected Useful Life (years)	Remaining Useful Life (years)	Quantity Square Foot (SF) Linear Foot (LF) Dimensions	Replacement Cost	NARUC Uniform Codes of Accounts
Shed Building #1 - Wood Siding	2000	2	20	<2	10'x15'	$ 10,000	354
Shed Building #2 - Metal Siding	2010	2	20	<2	8'x12'	$ 5,000	354
85 kW Emergency Generator (Propane), and Site Electrical	2021*	1	20	<2		$ 250,000	355
Propane Above Ground Storage Tank	2021	4	25	23	250 gallon	$ 5,000	355
					EOPCC:	**$ 1,032,430**	
Sewer Collection System							
Sanitary Sewer - 8" Gravity	2000-2015	4	75	52	6065	$ 485,200	361
Manholes	2000-2015	4	75	52	7	$ 42,000	363
Sanitary Sewer Service Laterals	2000-2015	4	50	52	61	$ 122,000	363
					EOPCC:	**$ 649,200**	

*Equipment was relocated to this site from an unknown site. Exact age of equipment is unknown.

Guadalupe-Blanco River Authority (GBRA)

Asset	Year Installed (if known)*	Condition	TCEQ Expected Useful Life (years)	Remaining Useful Life (years)	Quantity Square Foot (SF) Linear Foot (LF) Dimensions	Replacement Cost	NARUC Uniform Codes of Accounts
Six-Mile Booster Pump Station - Lake Placedo Road							
Land	N/A	N/A	N/A	N/A	0.057 acres	$ 1,430	303
6' High Chain-link Perimeter Fence with Gates and Barbed Wire	1972	1	20	<2	170 LF	$ 11,050	304
Access Drive	1972	1		<2		$ 4,000	304
5,000 gal Hydropneumatic Tank #1	1972	1	25	<2		$ 40,000	330
34,000 gal Ground Storage Tank #1 with Concrete Ring Beam	1972	1	40	<2	~15' diameter x 25'	$ 170,000	330
Chlorine Metering System	2020	4	7	4	30-gallon single wall tank	$ 10,000	320
Distribution System Pumps (2), piping and electric	2014	3	10	<2	10 HP each; 225 GPM each	$ 20,000	311
Emergency Generator Connection	2014	4	20	11		$ 5,000	311
Pump Building	1972	1	30	<2	10'x15'x8'	$ 40,000	304
					EOPCC:	**$ 301,480**	
Water Distribution System							
1.5" Watermain	1969-2006	3	75	21	11,360	$ 624,800	331
2" Watermain	1969-2006	3	75	21	100,986	$ 6,059,160	331
2.5" Watermain	1969-2006	3	75	21	19,317	$ 1,255,605	331
3" Watermain	1969-2006	3	75	21	96,431	$ 6,750,170	331
4" Watermain	1969-2006	3	75	21	29,568	$ 2,217,600	331
6" Watermain	1969-2006	3	75	21	135,416	$ 10,833,280	331
Isolation Valves	1969-2006	3	35	15	50 Each	$ 150,000	331

*Equipment was relocated to this site from an unknown site. Exact age of equipment is unknown.

Guadalupe-Blanco River Authority (GBRA)

Asset	Year Installed (if known)*	Condition	TCEQ Expected Useful Life (years)	Remaining Useful Life (years)	Quantity Square Foot (SF) Linear Foot (LF) Dimensions	Replacement Cost	NARUC Uniform Codes of Accounts
Flush Valves	1969-2006	3	35	15	15 Each	$ 75,000	331
Water Connections	1969-2006	3	50	15	1,494	$ 4,482,000	333
Water Meters	1969-2006	3	10	10	1,494	$ 1,195,200	334
					EOPCC:	**$ 33,642,815**	

*Equipment was relocated to this site from an unknown site. Exact age of equipment is unknown.

Photo #1: Crestview Wastewater Treatment Facility

Photo #2: Plant Lift Station

Photo #3: Discharge from Screen

Photo #4: Static Wedge Wire Screen

Photo #5: Electrical Outlet adjacent to screen discharge

Photo #6: Clarifier

Photo #7: Clarifier wall repair

Photo #8: Aeration Basin Wall Repair

Photo #9: Bent Sections of Grating

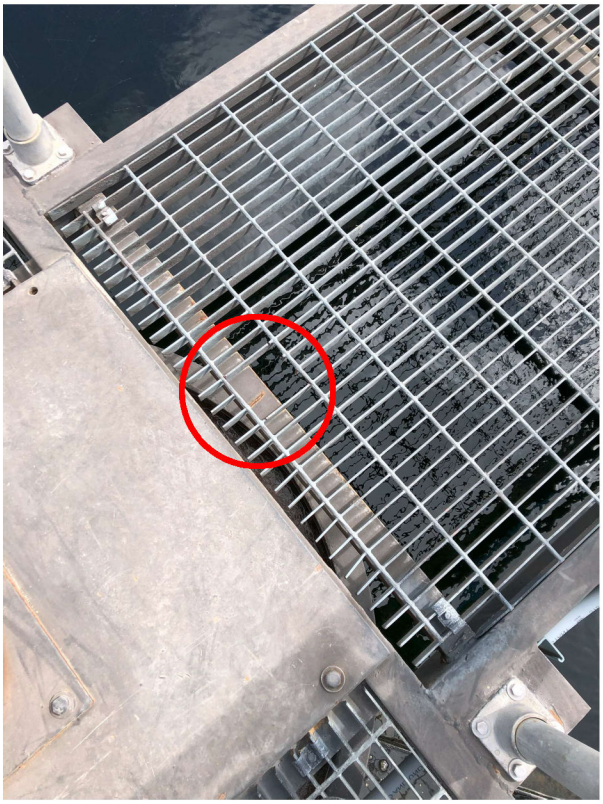


Photo #10: Hole in Grating

Photo #11: Emergency Generator

Photo #12: Holes in Structural Support of Chlorine Contact Tank

Photo #13: Effluent Flow Measuring Device

Photo #14: Six-Mile Booster Pump Station

Photo #15: 34,000-gallon Ground Storage Tank

Photo #16: Ladder Guard and No Safety Cage on 34,000-gallon Ground Storage Tank

Photo #17: Tank Overflow Discharge Pipe Support Blocking Tank Drain

Photo #18: Missing Tank Label on 34,000-gallon Ground Storage Tank

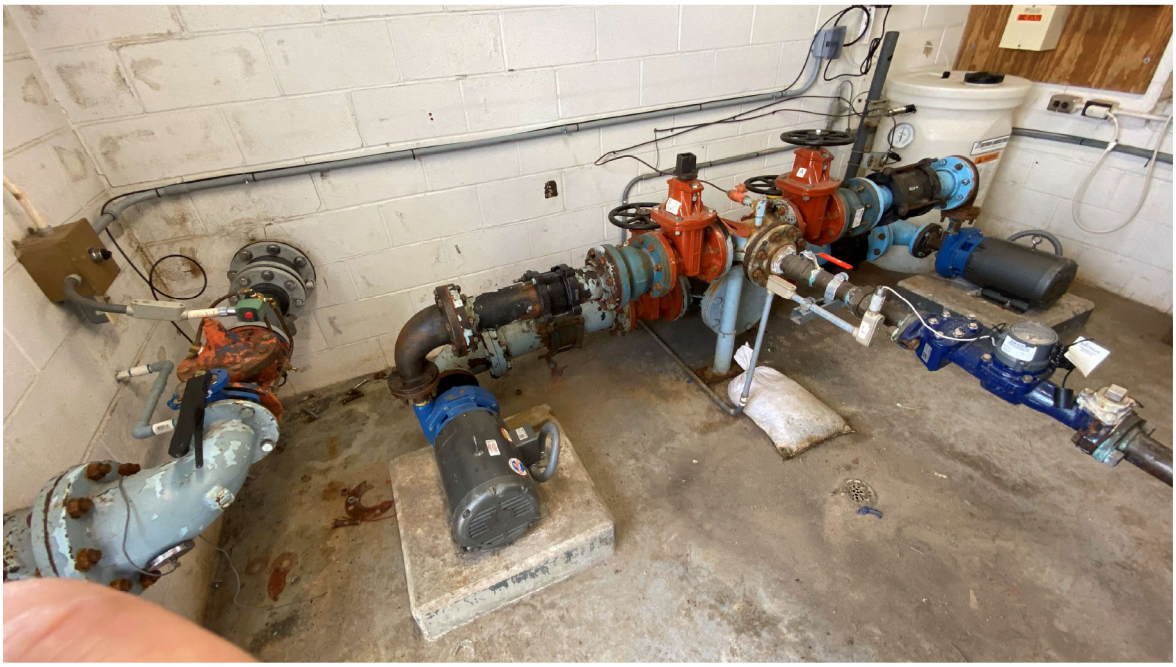


Photo #19: Corrosion on piping and bolts due to contact between dissimilar metals

Photo #20: Electrical outlets inside Booster Pump Station

Photo #21: Step Crack in Booster Pump Station Wall

Photo #22: Cracks in block wall of Booster Pump Station

Photo #23: Coating conditions on 5,000-gallon Hydropneumatic Tank

Photo #24: Missing Label on 5,000-gallon Hydropneumatic tank

EXHIBIT V – Notarized Affidavit

AFFIDAVIT OF Lee Dorf

ON THIS DAY, before me, the undersigned personally appeared, Lee Dorf, who under oath stated as follows:

1. My name is **Lee Dorf**. I am employed by **Cushman & Wakefield**.

2. I am qualified to determine the fair market value of the water and wastewater systems currently owned by **Guadalupe-Blanco River Authority** (Selling Utility) and to be sold to **Undine Texas, LLC ("Undine Texas") and Undine Texas Environmental, LLC ("Undine Environmental") (collectively "Undine")** (Acquiring Utility), as described in the Selling Utility's and Acquiring Utility's filing on December 20, 2022, in Public Utility Commission of Texas Project No. 49859, Notice of Intent to Determine Fair Market Value. I am qualified to make this determination according to 16 Texas Administrative Code § 24.238, including using the cost, market, and income approaches in accordance with subsections (g) through (i) of 16 Texas Administrative Code § 24.238 and in compliance with Uniform Standards of Professional Appraisal Practice.

3. I will ensure that all actions taken to determine the fair market value are done in accordance with the law, including without limitation, ensuring any real estate appraisals required are done in accordance with the Texas Appraiser Licensing and Certification Act, Texas Occupations Code Chapter 1103. I understand that it is my sole responsibility to ensure my compliance with the law.

4. As required by 16 Texas Administrative Code § 24.238(e)(2), I understand that I may not:

    a. derive any material financial benefit from the sale other than fees for services rendered;
    b. be or have been within the year preceding the date the service contract is executed a director, officer, or employee of the Acquiring Utility or the Selling Utilities or an immediate family member of a director, officer, or employee of the Acquiring Utility or the Selling Utilities; or
    c. have received compensation under a contract for consulting or other services with the Acquiring Utility or Selling Utilities or executed a contract for consulting or other services with the Acquiring Utility or Selling Utilities, within the year preceding the date I am selected.

5. ☑ I work for ***Cushman & Wakefield***, and my firm has not provided consulting or other services to either the Acquiring Utility or the Selling ***Utility*** within the preceding year.

    ☐ I work for ***Cushman & Wakefield***, and my firm has provided consulting or other services to (***Selling Utility or Acquiring Utility or both***) within the preceding year or expects to provide services to (***Selling Utility or Acquiring Utility or both***) unrelated to selection by the Public Utility Commission of Texas to determine fair market value according to 16 Texas Administrative Code § 24.238 (Other Services). I did not perform

Other Services. No member or employee of the firm who performed or will perform Other Services will perform work related to the determination of the fair market value of the water system described above in numbered paragraph 2. In addition, I will not discuss any information related to the determination of the fair market value of that water system with any member or employee of the firm that performed or will perform Other Services.

6. I am capable of submitting a completed report to the Acquiring Utility and the Selling Utilities no later than 120 days after being selected by the Public Utility Commission of Texas.

Affiant

SUBSCRIBED AND SWORN TO before me, on this the 5th day of January of 2023.

NOTARY PUBLIC in and for the State of Pennsylvania.

Commonwealth of Pennsylvania - Notary Seal
MARCI KNAPP, Notary Public
Philadelphia County
My Commission Expires May 3, 2026
Commission Number 1419591

EXHIBIT VI – Engagement Letter

PROFESSIONAL SERVICES AGREEMENT TO DETERMINE FAIR MARKET VALUE OF GUADALUPE-BLANCO RIVER AUTHORITY

This Professional Services Agreement made and entered into by and between **Undine Texas, LLC ("Undine Texas") and Undine Texas Environmental, LLC ("Undine Environmental** (hereinafter called "Acquiring Utility," "Client," or, alternatively, "Undine"), and **Cushman & Wakefield of Pennsylvania, LLC.** ("Consultant" or "C&W"), for the purpose of providing Acquiring Utility with Consultant's professional valuation services (the "Agreement") is made effective as of the date of the latest signature to this Agreement. Acquiring Utility and Consultant may also be referred to individually as a "Party" and collectively as the "Parties." The Agreement and Services described herein are subject to professional standards' requirements as well as Consultant's Conditions of Engagement attached hereto as Exhibit A.

Recitals

WHEREAS, Acquiring Utility entered into a purchase agreement to acquire Guadalupe-Blanco River Authority ("Selling Utility");

WHEREAS, Acquiring Utility filed a Notice of Intent to Determine the Fair Market Value of Guadalupe-Blanco River Authority pursuant to Texas Water Code § 13.305 and 16 Tex. Admin. Code § 24.238;

WHEREAS, in Public Utility Commission of Texas ("Commission") Docket No. 49859, the Commission appointed Consultant to conduct an independent appraisal in order to determine the fair market value of the Selling Utility; and

WHEREAS, the Commission Staff directed the Acquiring Utility and Consultant to freely negotiate the fee for the Consultant's services, as defined below;

NOW, THEREFORE, the Parties agree as follows:

Article I. Compensation

A. **Payment**. Acquiring Utility shall pay Consultant a fee for Services, as defined below and in attached Exhibit B, TWENTY THOUSAND U.S. DOLLARS AND ZERO CENTS (**$20,000.00**) (the "Fee"), plus expenses, for the performance of the Services. Said Fee shall include the cost for time and materials to perform the Services but shall exclude the cost to retain a licensed engineer or water rights valuation expert, if any. Acquiring Utility shall pay Consultant according to the following terms:

    1. Upon written delivery of the draft appraisal that complies with Texas Water Code § 13.305 and 16 Tex. Admin. Code § 24.238, as amended, and as acceptable to the Commission for the purpose of determining the fair market value of the Selling Utility (the "Appraisal"), to the Acquiring Utility, the Selling Utility, and the Commission, Acquiring Utility shall remit the Fee within thirty five (35) business days;

2. We request a retainer in the amount of **$10,000** from the Client prior to commencing this assignment.

3. The Fee does not include the cost to hire an outside licensed engineer, as required by the Code and detailed in Article III of this Agreement, because said engineer shall be invoiced separately according to the terms of Article III;

    i. The total cost of the engineering report prepared by MRB Group is **$27,000**, which will be paid equally by the Consultant and the two other utility valuation experts assigned by the Commission to determine fair market value of the Selling Utility. The Consultants portion of the engineering report is **$9,000**, which will be billed accordingly.

4. A copy of the engineering agreement is included in Exhibit E.

5. The final Fee amount shall be based upon a written invoice, submitted by Consultant to the Acquiring Utility simultaneously with the delivery of the Appraisal, that itemizes the time and material cost to provide the Services;

6. The final Fee shall be consideration for the time and material cost to provide the Appraisal, and shall not include any consideration for oral, written, verbal, or electronic presentations or testimony in any form; and

7. The final Fee shall not include the cost to hire an outside real estate appraiser with expertise in water rights valuation because said expert shall be invoiced separately, as detailed in Article III of this Agreement.

B. Acquiring Utility agrees that the Fee is a reasonable amount for the provisions of Consultant's Services.

Article II. Consultant's Services

A. Consultant will provide services as follows (together, the "Services"):

1. Perform an appraisal in compliance with the Uniform Standards of Professional Appraisal Practice;

2. Employ the (a) cost method, (b) market method, and (c) income method to determine the fair market value of the Selling Utility as of December 20, 2022, the "Valuation Date";

3. Retain a licensed engineer to conduct an assessment of the tangible assets of the Selling Utility, or the facilities to be sold, as applicable, in compliance with Texas Water Code § 13.305, 16 Tex. Admin. Code § 24.238, and Article III of this Agreement;

4. Incorporate the licensed engineer's assessment into the cost method of valuation;

5. In accordance with the terms of this Agreement, retain a water rights valuation expert if a water rights valuation expert is necessary to complete an accurate appraisal that complies with the Uniform Standards of Professional Appraisal Practice;

6. Deliver the completed appraisal to Acquiring Utility by December 20, 2022. A copy of the appraisal report may also be provided to the Selling Utility and the Commission for information purposes only, without reliance and without liability to Consultant.

7. Include in the completed appraisal:

    a. a copy of this Agreement executed by the Consultant and the Acquiring Utility;

    b. the Fee charged by the Consultant along with documentation supporting the amount of the Fee;

    c. a copy of the engineer's report, including a detailed list of the utility plant assessed by the engineer;

    d. an explanation of how the cost, market, and income approaches were incorporated into the calculation of the fair market value of the Selling Utility or the Selling Utility's facilities; and

    e. a copy of the water rights valuation expert's report, if any.

    f. a notarized affidavit substantially in the same form as **Exhibit C**.

8. Comply with the provisions of Texas Water Code § 13.305 and 16 Tex. Admin. Code § 24.238 for the completion and rendering of the fair market value determination as contemplated in this Agreement.

9. Consistent with the "Scope of Work" provisions of Exhibit B, Consultant shall have the right to sub-contract any of its obligations hereunder. In the event of such sub-contract, Consultant shall remain fully liable for the due performance of its obligations under this Agreement.

B. Consultant's Services will be performed in accordance with the Uniform Standards of Professional Appraisal Practice and the applicable provisions of Texas Water Code § 13.305 and 16 Tex. Admin. Code § 24.238.

C. Consultant shall comply with all applicable federal, state, county, municipal and other governmental laws, statutes, rules, ordinances, regulations and requirements. If such compliance is impossible or impractical, Consultant shall immediately inform Acquiring Utility in writing of the facts and reasons for such noncompliance.

D. Consultant certifies it, to the best of its knowledge, has no outstanding agreement or obligation that is in conflict with any of the provisions of this Agreement or that would

preclude Consultant from complying with this Agreement and further covenants that Consultant will not enter into any such conflicting agreement during the term of this Agreement.

E. Consultant agrees to perform the Services in accordance with the Commission's appointment of Consultant in this matter. Notwithstanding the foregoing, Consultant shall supervise any staff who assist him in performing the Services.

F. Consultant shall perform the Services and deliver the Appraisal with its fair market value determination of Selling Utility within four (4) weeks of receipt of the latest of these to be delivered to the Consultant:

1. the final report by the outside engineer, as described more fully in Article III; and

2. data and information from the Selling Utility or Acquiring Utility which shall be limited to the information listed in **Exhibit D** (collectively, the "Information") to the extent such information is available.

G. Should the Consultant require information beyond the scope of the items listed in **Exhibit D** ("Additional Information"), the delivery of Additional Information shall not affect the delivery schedule required in this Article.

Article III. Retention of Engineer and Water Rights Valuation Expert

A. Consultant shall retain a licensed engineer in accordance with Texas Water Code § 13.305(c)(4) and 16 Tex. Admin. Code § 23.238 to conduct an assessment of the tangible assets of Selling Utility.

B. Consultant shall confirm that the engineer is not and has not been within one year preceding the date the service contract with the engineer is executed a director, officer, or employee of the Acquiring Utility or the Selling Utility or an immediate family member of a director, officer, or employee of the Acquiring Utility or the Selling Utility.

C. Consultant shall require the following information upon retention and shall include all of the following information with the final appraisal:

1. qualifications that demonstrate the engineer's ability to provide the requested assessment;

2. the engineer's fees for other similar assessments; and

3. any other relevant information deemed necessary by the Consultant to complete the Appraisal and report.

D. Consultant shall direct the engineer to include a separate assessment for each type of facility based on the applicable National Association of Regulatory Utility Commissioners account for the facility.

E. The fee charged by the engineer must be shared and paid equally by the Consultant and the two other utility valuation experts assigned by the Commission to determine fair market value of the Selling Utility.

F. Consultant agrees to retain the licensed engineer within ten (10) business days from the Effective Date. Notwithstanding the foregoing, if the Consultant is unable to retain the licensed engineer within ten (10) business days from the Effective Date, the Consultant shall give the Acquiring Utility written notice of said fact within ten (10) business days from the Effective Date or as soon as the Consultant has actual knowledge of a delay in retaining a licensed engineer, whichever is sooner.

G. Consultant and Acquiring Utility agree that Consultant shall serve as the point of contact for communications regarding the retention of the licensed engineer, including but not limited to seeking pre-approval of the licensed engineer's estimate, which approval shall by the Acquiring Utility shall not be unreasonably delayed, and invoicing the Acquiring Utility for the licensed engineer's fee.

H. Should the Consultant deem it necessary to retain a water rights valuation expert, Consultant and Acquiring Utility agree that Consultant shall serve as the point of contact for communications regarding the retention of said expert, including but not limited to seeking pre-approval of the expert's estimate, which approval shall by the Acquiring Utility shall not be unreasonably delayed, and invoicing the Acquiring Utility for the expert's fee.

I. Client acknowledges that Consultant is retaining the licensed engineer and, to the extent required in accordance with subsection H above, any water rights valuation expert purely as an accommodation to Client and, in both cases, shall be relying upon information provided by such parties. As such, notwithstanding anything to the contrary contained herein, Consultant shall not be liable to Client for any actual or potential harm, risk or damage to Client or any third party that may result from the breach, negligence, fraud, misconduct or any other action or inaction of such licensed engineer or water rights valuation expert in connection with or otherwise relating to this Agreement. Client agrees to pursue any claims or other legal action it may have concerning or relating to the services of such licensed engineer or water rights valuation expert directly against such party and not Consultant.

J. Under no circumstance shall the decision to retain a water rights valuation expert delay performance of the Services or delivery of the Appraisal.

Article IV. Ownership of Documents and Confidentiality

A. All original papers, documents, drawings and other work product of Consultant, and copies thereof, produced by Consultant pursuant to this Agreement, except documents which are required to be filed with public agencies, shall remain the property of Acquiring Utility and may be used by Consultant without the consent of Acquiring Utility, but any such documentation shall be subject to the terms of the confidentiality provisions referred to in this article. Acquiring Utility shall have the right to retain and use copies of such papers, documents, drawings and work product for any purpose.

B. Upon delivery of the Appraisal, Consultant shall attach the licensed engineer's final report and the final report of the water valuation expert, if any, to each Appraisal.

C. Each Party agrees that during and after the term of this Agreement it will keep secret and will not, without the prior written consent of the other Party, use or disclose to any third Party any confidential or proprietary information ("Confidential Information") relating to the business of the other Party or that Party's customers learned by such Party or disclosed to such Party in connection with this Agreement. Notwithstanding the foregoing, Consultant shall disclose certain Confidential Information as part of retention of a subcontractor as described in the Scope of Work section, Exhibit B, Services. Confidential Information shall mean (i) information that relates to Consultant's research, development or business activities, (ii) customer lists, business plans, information security plans, business continuity plans, and proprietary software programs; (iii) any personally identifiable information, defined as information that can be identified to a particular person without unreasonable effort, such as the names, social security numbers, and usage information of Acquiring or Selling Utility's individual customers; or (iv) any other information received from or on behalf of Acquiring or Selling Utility or its affiliates that Consultant could reasonably be expected to know is confidential and that is disclosed to Consultant in connection with Consultant's performance of Services pursuant to this Agreement. The restrictions of this section shall not apply to any information that (i) is or becomes generally available to the public other than as a result of a breach of this Section IV.C. by the receiving Party, (ii) was available to the receiving Party on a non-confidential basis prior to its disclosure under this Agreement, (iii) becomes available to the receiving Party on a non-confidential basis from a third party which was not known to be bound by a confidentiality obligation and was free to disclose the information, or (iv) is required by law or regulation to be disclosed pursuant to a valid order or request, provided that Consultant, to the extent legally permissible, provides Acquiring and Selling Utility with advance written notice of any such request. Consultant further understands and agrees that its employees and/or subcontractors are subject to and bound by these confidentiality provisions. Consultant may disclose Acquiring and Selling Utility's name(s) to third parties or include them in corporate collateral and statistics. However, Consultant does not and will not use specific Acquiring or Selling Utility's name(s) in any advertisements, without obtaining prior written consent.

Article V. Successor and Assigns

A. The Acquiring Utility and Consultant each bind themselves, their successors, and their permitted assigns to this Agreement. Neither Party shall assign or transfer its interests in this Agreement without the prior written consent of the other, subject to regulations promulgated by the Commission pursuant to the fair market value determination process found in Texas Water Code § 13.305.

Article VI. Insurance

A. Both Consultant and Acquiring Utility agree to maintain their insurance coverage throughout the term of this Agreement.

Article VII. Miscellaneous Provisions

A. **Force Majeure.** If an event of Force Majeure causes a temporary delay or interruption in a Party's ability to perform its obligations hereunder, such obligation shall be excused without liability during the continuation of such event of Force Majeure, and the relevant term to perform such obligations shall be extended accordingly for the duration of the event of Force Majeure, not to exceed three (3) months, provided the affected Party provides notice in the manner prescribed in Section VII.H. of this Agreement within five (5) business days of the event of Force Majeure. For purposes hereof, "Force Majeure" means events that are not reasonably within the control or anticipation of Consultant and which by the exercise of reasonable diligence and precaution under the circumstances Consultant is unable to prevent or overcome and, subject to those limitations, shall include (a) labor shortages and/or disputes, fire, unusual delay in deliveries, unavoidable casualties; (b) disruptions in labor or materials resulting from a health crisis regardless of whether an infectious disease, epidemic, pandemic or isolated to areas from which such labor and materials are supplied; (c) extreme weather conditions; (d) adverse government actions, including but not limited to tariffs and embargoes; and/or (e) any Act of God rendering performance of the Agreement impossible or impractical. Notwithstanding the foregoing, in the event that the Force Majeure is caused by government action; e.g. the declaration of a state of emergency, a court order, or an order issued by a city, county, or state governing body, the date of the beginning of the Force Majeure shall be on the date of the government action, and the Force Majeure shall persist until the state of emergency is lifted or an order is issued ending the circumstance causing the Force Majeure.

B. **Savings Clause.** In the event any provisions of this Agreement shall be held to be invalid and unenforceable, the remaining provisions shall be valid and binding upon the Parties. One or more waivers by either Party of any provision, term, condition, or covenant shall not be construed by the other Party as a waiver of a subsequent breach of the same by the other Party.

C. **Term.** This Agreement shall terminate upon completion and delivery of the final appraisal report to the Acquiring Utility.

D. **Entire Agreement.** This Agreement and all Exhibits attached hereto constitute the entire agreement between the Parties and supersede any prior oral or written agreement, arrangement, or understanding between the Parties related to the subject matter herein. In the event that the terms of any proposal or other attachment to this Agreement conflict with the terms of this Agreement, this Agreement shall control. It is not the intent of the Parties to this Agreement to form a partnership or joint venture.

E. **Mediation.** All claims, disputes and other matters in question between the Parties to this Agreement, arising out of or relating to this agreement or the breach thereof, shall be submitted to **non-binding Mediation** under the auspices of a mutually agreed upon mediation service prior to initiation of any lawsuit or other litigation unless the Parties mutually agree otherwise. The cost of said mediation shall be split equally between the Parties. This Agreement to mediate shall be specifically enforceable under the prevailing law of the jurisdiction in which this Agreement was signed. The Parties agree that for any dispute arising out of, relating to or in connection with this Agreement, venue shall be proper only in the state or federal court for Travis County, Texas that has subject matter jurisdiction.

F. **Independent Contractor.** Nothing in this Agreement shall in any way be construed to constitute Consultant as an agent, employee or representative of Acquiring Utility. Consultant shall perform the services as an independent contractor. Consultant shall have responsibility for and control over the details and means of performing the services and shall be subject to the directions of Acquiring Utility only with respect to the scope and general results required. Consultant acknowledges and agrees that Consultant is obligated to report as income all compensation received by Consultant pursuant to this Agreement, and Consultant agrees to and acknowledges the obligation to pay all self-employment, income, and other taxes thereon.

G. **Notice.** Subject to any Party's right to change its address upon five (5) days' written notice to the other Party, all notices hereunder by either Party to the other will be deemed to have been given upon receipt by the receiving Party if sent in writing by certified mail, e-mail, or facsimile transmission, addressed and delivered to the persons and contact information as follows:

Primary notice contact for Consultant under this Agreement shall be:

Consultant Cushman & Wakefield of Pennsylvania, LLC
Lee Dorf
1650 Market Street, 48th Floor
Philadelphia, PA 19103
lee.dorf@cushwake.com

Primary notice contact for Acquiring Utility under this Agreement shall be:

Undine Texas, LLC Carey A. Thomas
Senior Vice President
Undine Texas, LLC
17681 Telge Road
Cypress, TX 77429
cthomas@undinellc.com

H. **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each one of which need not contain the signatures of more than one Party, but all such counterparts taken together shall constitute one and the same Agreement.

I. **Digital Signatures.** This Agreement may be executed with digital signatures that shall have the same force and effect of manual signatures, as authorized by Texas Business and Commerce Code § 322.007, as amended.

J. **Time is of the Essence.** Time is of the essence of this Agreement and of each and every covenant and condition thereof. In the event of any delay, Consultant shall notify Acquiring Utility promptly.

Governing Law and Venue. This Agreement shall be governed in all respects, including validity, interpretation and effect, by and shall be enforceable in accordance with, the laws of the State of Texas. The obligations and undertakings of each of the parties to this Agreement shall be

performed or deemed to be performed in Harris County, Texas. If and to the extent an arbitration proceeding or legal action involving this Agreement is initiated by either party, it shall be brought and conducted only in Harris County, Texas.

Signature Page Follows

IN WITNESS THEREOF, the Parties hereto have accepted, made and executed this Agreement upon the terms, conditions and provisions above stated, as of the Effective Date.

Cushman & Wakefield of Pennsylvania, LLC

By: _____

Printed Name: Lee Dorf

Title: Director

Date: February 28, 2023

Undine Texas, LLC

By: _____

Printed Name: Carey A. Thomas

Title: Senior Vice President

Date: _____

EXHIBIT A

CONDITIONS OF ENGAGEMENT

1) Each Intended User identified herein should consider the appraisal as only one factor together with its independent investment considerations and underwriting criteria in its overall investment decision. The appraisal cannot be used by any party or for any purpose other than the Intended User(s) identified herein for the Intended Use described herein.
2) Unless identified expressly in this agreement, there are no third-party beneficiaries of agreement pertaining to the appraisal, and no other person or entity shall have any right, benefit or interest under such agreement. The identification of a party as an intended user of the appraisal does not mean that the party is a third-party beneficiary of the agreement.
3) The appraisal report will be subject to our standard Assumptions and Limiting Conditions, which will be incorporated into the appraisal. All users of the appraisal report are specifically cautioned to understand the standard Assumptions and Limiting Conditions as well as any Extraordinary Assumptions and Hypothetical Conditions which may be employed by the appraiser and incorporated into the appraisal.
4) C&W shall have the right to utilize its affiliates in the performance of its services, provided that they comply with the obligations of C&W pursuant to this engagement.
5) The appraisal report or our name may not be used in any offering memoranda or other investment material without the prior written consent of C&W, which may be given at the sole discretion of C&W. Any such consent, if given, shall be conditioned upon our receipt of an indemnification agreement from a party satisfactory to us and in a form satisfactory to us. Furthermore, Client agrees to pay the fees of C&W's legal counsel for the review of the material which is the subject of the requested consent. C&W disclaims any and all liability with regard to the appraisal prepared pursuant to the engagement to any party other than the Intended User(s). Under no circumstances will C&W consent to the quote, reference or inclusion of the appraisal in connection with crowd funding activities. Further, crowd funding investors are specifically excluded from any class of Intended Users.
6) In the event the Client provides a copy of the appraisal to, or permits reliance thereon by, any party not identified herein as an Intended User, Client hereby agrees to indemnify and hold C&W, its affiliates and the respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the appraisal by any such party.
7) The balance of the fee for the appraisal will be due upon delivery of a report. Payment of the fee is not contingent on the appraised value, a loan closing, or any other prearranged condition. Additional fees will be charged on an hourly basis for any work, which exceeds the scope of this proposal, including performing additional valuation scenarios, additional research and conference calls or meetings with any party, which exceed the time allotted by C&W for an assignment of this nature. If we are requested to stop working on this assignment, for any reason, prior to our completion of the appraisal, C&W will be entitled to bill the Client for the time expended to date at C&W's hourly rates for the personnel involved.
8) If C&W or any of its affiliates or any of their respective employees receives a subpoena or other judicial command to produce documents or to provide testimony involving this assignment in

connection with a lawsuit or proceeding, C&W will use reasonable efforts to notify the Client of our receipt of same. However, if C&W or any of its affiliates are not a party to these proceedings, Client agrees to compensate C&W or its affiliate for the professional time and reimburse C&W or its affiliate for the actual expense that it incurs in responding to any such subpoena or judicial command, including attorneys' fees, if any, as they are incurred. C&W or its affiliate will be compensated at the then prevailing hourly rates of the personnel responding to the subpoena or command for testimony.

9) By signing this agreement Client expressly agrees that its sole and exclusive remedy for any and all losses or damages relating to this agreement, or the appraisal shall be limited to the amount of the appraisal fee paid by the Client. In the event that the Client, or any other party entitled to do so, makes a claim against C&W or any of its affiliates or any of their respective officers or employees in connection with or in any way relating to this engagement or the appraisal, the maximum damages recoverable from C&W or any of its affiliates or their respective officers or employees shall be the amount of the monies actually collected by C&W or any of its affiliates for this assignment and under no circumstances shall any claim for consequential, indirect, special, punitive or liquidated damages be made.

10) C&W disclaims any and all liability to any party with regard to the appraisal report other than an Intended User identified herein.

11) The fees and expenses shall be due C&W as agreed in this letter. If it becomes necessary to place collection of the fees and expenses due C&W in the hands of a collection agent and/or an attorney (whether or not a legal action is filed) Client agrees to pay all fees and expenses including attorneys' fees incurred by C&W in connection with the collection or attempted collection thereof.

12) Unless the time period is shorter under applicable law, any legal action or claim relating to the appraisal or this agreement shall be filed in court (or in the applicable arbitration tribunal, if the parties to the dispute have executed an arbitration agreement) within two (2) years from the date of delivery to Client of the appraisal report to which the claims or causes of action relate or, in the case of acts or conduct after delivery of the report, two (2) years from the date of the alleged acts or conduct. The time period 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 period stated in this section shall apply to all non-criminal claims or causes of action of any type.

13) Notwithstanding that C&W may comment on, analyze or assume certain conditions in the appraisal, C&W shall have no monetary liability or responsibility for alleged claims or damages pertaining to: (a) title defects, liens or encumbrances affecting the property; (b) the property's compliance with local, state or federal zoning, planning, building, disability access and environmental laws, regulations and standards; (c) building permits and planning approvals for improvements on the property; (d) structural or mechanical soundness or safety; (e) contamination, mold, pollution, storage tanks, animal infestations and other hazardous conditions affecting the property; and (f) other conditions and matters for which licensed real estate appraisers are not customarily deemed to have professional expertise.

14) Legal claims or causes of action relating to the appraisal or this agreement are not assignable, except: (i) as the result of a merger, consolidation, sale or purchase of a legal entity, (ii) with regard to the collection of a bona fide existing debt for services but then only to the extent of the total compensation for the appraisal plus reasonable interest, or (iii) in the case of an

appraisal performed in connection with the origination of a mortgage loan, as part of the transfer or sale of the mortgage before an event of default on the mortgage or note or its legal equivalent.

15) Each party represents and warrants to the other that it, and all persons and entities owning (directly or indirectly) an ownership interest in it: (a) are not, and will not become, a person or entity with whom a party is prohibited from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including, but not limited to, those named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive order or other governmental action; and (b) are not knowingly engaged in, and will not knowingly engage in, any dealings or transactions or be otherwise associated with such persons or entities described in clause (a) above.

16) Each party represents and warrants to the other that it (and any party acting on its behalf) has not, in order to enter into this agreement, offered, promised, authorized or made any payments or transfers of anything of value which have the purpose or effect of public or commercial bribery, kickbacks or other unlawful or improper means of doing business ("Prohibited Activity") and will not engage in Prohibited Activity during the term of this agreement. In the event of any violation of this section, the non-offending party shall be entitled to immediately.

EXHIBIT B
SERVICES

Intended Use: To determine the Fair Market Value of Guadalupe-Blanco River Authority pursuant to Texas Water Code § 13.305 and 16 Tex. Admin. Code § 24.238

Intended Users: Undine Environmental

Date of Value: Date of Inspection

Scope of Work:
Utility's assets assumed to be included in the appraisal includes:

1. Water and Sewer lines servicing the above-noted connections. Maps are assumed to be readily available from the Utility with installation dates.

2. Ground Storage tank; hydropneumatic tank; and booster pump station

3. Wastewater treatment facility and lift station

4. Related peripheral equipment

Final scope to be determined via an independent engineering study. It is expected that the Market, Income Approaches and the Cost Approach will be considered in the appraisal, along with the compilation of the completed report, by Consultant.

Subject Property: 933 E. Court Street, Seguin, Texas 77354

EXHIBIT C
AFFIDAVIT TO BE NOTARIZED AND INCLUDED WITH FINAL APPRAISAL

EXHIBIT D
INFORMATION TO BE SUPPLIED TO CONSULTANT BY SELLING UTILITY OR ACQUIRING UTILITY, IF AVAILABLE

1. Last three years of annual financial reports, preferably audited;
2. Current approved budget;
3. Current capital improvement plan;
4. Long-term operating/financial forecast (e.g., 5-year forecast), if available
5. Listing of any nonrecurring or extraordinary income statement items contained in the above financials;
6. Copy of any marketing / investor presentations developed during the past three years;
7. Inventory of current assets/facilities, including:
    a. Year placed in service;
    b. Original cost;
    c. Accumulated depreciation; and
    d. Annual depreciation;
8. Last Rate Application and Final Order;
9. TCEQ reports from site visit/audits for last three years;
10. Copy of any contracts for the purchase or sale of water;
11. Copy of current CCN map;
12. System map showing lines and facilities in place (if available);
13. Copy of latest Customer Confidence Report;
14. Number of active water connections each year for the last three years;
15. Volume of water produced by month for last three years;
16. Volume of water metered and billed by month for last three years; and
17. Estimated volumes by month for last three years for unmetered water customers, if any.

EXHIBIT E

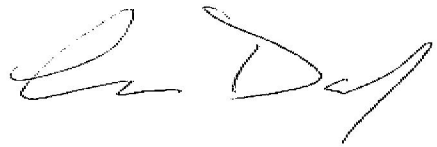
THIRD PARTY ENGINEERING AGREEMENT

VIII. Certifications

Personal Property

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have 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.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in 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 directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the American Society of Appraisers, which include the Uniform Standards of Professional Appraisal Practice.
- Lee Dorf inspected the property that is the subject of this report on March 22, 2023.
- No one provided appraisal assistance to the persons signing this report.
- The signatories of this report have not provided appraisal services relating to the Subject Assets in the prior three years.



Lee Dorf
Director | Valuation & Advisory
Cushman & Wakefield of Pennsylvania, LLC

Business Valuation

We certify that, to the best of our knowledge and belief:

- The analyses and conclusion of value included in the report are subject to the specified assumptions and limiting conditions, and they are the personal analyses, opinions, and conclusion of value of the valuation analysts.
- The economic and industry data included in the report were obtained from various printed or electronic reference sources that the valuation analysts believe to be reliable. The valuation analysts have not performed corroborating procedures to substantiate that data.
- The valuation engagement was performed in accordance with the American Society of Appraisers Business Valuation Standards, American Institute of Certified Public Accountants Statement on Standards for Valuation Services, and with the National Association of Certified Valuators and Analysts Professional Standards.
- The parties for which the information and use of the valuation report is restricted are identified; the valuation report is not intended to be and should not be used by anyone other than such parties.
- We have no present or prospective future interest in the assets, properties, or business interests that are the subject of this appraisal.
- We have not performed valuation services regarding the property that is the subject of the report within the three-year period immediately preceding acceptance of this assignment.
- We have no personal interest or bias with respect to the subject matter of this appraisal or the parties involved.
- Our compensation for making the analysis is in no way contingent upon the value reported or upon any predetermined value.
- No other analysts provided significant professional assistance regarding the analysis, opinions, and conclusions set forth in this report.
- We have no obligations to update the report or conclusions for information that comes to our attention after the date of the report.

James A. Cook
Senior Director | Valuation & Advisory
Cushman & Wakefield

IX. Assumptions and Limiting Conditions

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

1. No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
2. The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
3. The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
4. The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
5. Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
6. The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
7. The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
8. The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

9. The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.

10. Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.

11. Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.

12. If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.

13. In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.

14. If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.

15. Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.

16. Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.

17. By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

18. The machinery and equipment is assumed to be installed and operating at manufacturer's specifications. We recommend an engineer be employed in the final determination regarding the condition and maintenance of the machinery and equipment.

X. Glossary of Terms & Definitions

The following definitions of pertinent terms are taken from *Valuing Machinery and Equipment,* Third Edition, published by the American Society of Appraisers and from the *2020–2021 Uniform Standards of Professional Appraisal Practice* (USPAP) effective January 1, 2021 through December 31, 2023.

Acquisition Date

The effective purchase date of an asset.

Appraisal Date

The specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Valuation Date").

Appraisal

(noun) The act or process of developing an opinion of value; an opinion of value. (adjective) Of or pertaining to appraising and related functions such as appraisal practice or appraisal services. (USPAP page U-59).

As-is, Where-is

A term reflecting the purchase of an item in its present condition and location. Any costs associated with dismantling and removal are not considered.

Comparable

Properties with characteristics that are similar to a subject property whose value is being sought.

Cost

Total dollar expenditure for any asset. This includes labor, materials, legal services, architectural design, financing, taxes during construction, interest, contractor's overhead and profit, and entrepreneurial overhead and profit. The cost of a particular asset may be higher than, lower than, or equal to the asset's value

Cost Approach

One of the three recognized approaches used in appraisal analysis. The appraiser starts with the current replacement cost new of the property being appraised and then deducts for the loss in value caused by physical deterioration, functional obsolescence, and economic obsolescence. The logic behind this approach is the principle of substitution; a prudent buyer will not pay more for a property than the cost of acquiring a substitute property of equivalent utility.

Depreciation

The actual loss in value or worth of a property from all causes including those resulting from physical deterioration, functional obsolescence, and economic obsolescence. Depreciation may be curable or incurable. The estimated loss in value of an asset.

Depreciated Replacement Cost

Replacement cost new of an item, less accrued depreciation from all causes.

Depreciated Reproduction Cost

Reproduction cost new, less accrued depreciation.

Economic Obsolescence

A form of depreciation where the loss in value or usefulness of a property is caused by factors external to the property. These may include such things as the economics of the industry; availability of financing; loss of material and/or labor sources; passage of new legislation; changes in ordinances; increased cost of raw materials, labor or utilities (without an offsetting increase in product price); reduced demand for the product; increased competition; inflation or high interest rates; or similar factors.

Economic Useful Life

The estimated period of time that a new property may be profitably used for the purpose for which it was intended. Stated another way, economic life is the estimated number of years that a new property can be used before it would pay the owner to replace it with the most economical replacement property that could perform an equivalent service. Functional or economic obsolescence factors may limit a property's economic life. An asset's economic life will often be less than its normal useful life.

Effective Age

The apparent age of a property in comparison with a new property of like kind; that is, the age indicated by the actual condition of a property.

Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions (USPAP U-118)

Functional Obsolescence

A form of depreciation in which the loss in value or usefulness of a property is caused by inefficiencies or inadequacies inherent in the property itself, when compared to a more efficient or less costly replacement property that new technology and changes in design, materials, or process that results in inadequacy, overcapacity, excess construction, lack of functional utility, excess operating costs, etc. has developed. Symptoms suggesting the presence of functional obsolescence are excess operating cost, excess construction (excess capital cost), over-capacity, inadequacy, lack of utility, or similar conditions.

Highest and Best Use

The most probable and legal use of a property (including machinery and equipment), which is physically possible, appropriately supported, financially feasible, and that results in the highest value. (The four criteria that highest and best use must meet are legally permissible, physically possible, financially feasible, and maximally profitable.)

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis (USPAP -124)

In Continued Use

A value assigned to an asset assuming that the asset is sold as part of an on-going operation and assumes that the asset is sold and consequently operated with the other assets in its group.

Income Approach

One of the three recognized approaches used in appraisal analysis. (This approach considers value in relation to the present worth of future benefits derived from ownership and is usually measured through the capitalization of a specific level of income.) The appraiser determines the present value of the future economic benefits of owning the property.

Indexing

A method used to estimate current cost in which an index factor is applied to the historical cost of an item reflecting the movement of cost over time.

Intended Use

The use(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment (USPAP page U-132).

Intended User

The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment. (USPAP page U-134).

Machinery and Equipment

The physical facilities available for production, including the installation and service facilities appurtenant, together with all other equipment designed for or necessary to its manufacturing and industrial purposes, regardless of method of installation, including all those items of furniture and fixtures necessary for the administration and proper operation of the enterprise.

Market Participants

Market participants are buyers and sellers who are:

- Independent of and are not related to the entity (or assets) being valued
- Knowledgeable and have a reasonable level of understanding about the facts regarding the entity (or assets) being valued
- Have the legal and financial means to buy or sell the entity (or assets) being valued
- Willing buyers or sellers who are motivated, but not otherwise forced or compelled to buy or sell

Net Book Value

With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise. The capitalized cost of an asset less the depreciation taken for financial reporting.

Normal Useful Life

The physical life, usually estimated in terms of years, that a new property will actually be used before it is retired from service.

Obsolescence

A loss in value due to a decrease in the usefulness of property caused by decay, changes in technology, changes in people's behavioral pattern and tastes, or environmental changes.

Original Cost

The initial capitalized cost of an asset in the hands of its present owner.

Physical Depreciation

A form of depreciation where the loss in value or usefulness of a property is due to the using up or expiration of its useful life caused by wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors. Physical depreciation may be curable (or partially curable), by replacement or rebuilding, to some percentage of its full physical life. If curable, the remaining life would go no lower than a core or re-buildable life. Cure or partial cure may then change the Effective Age of the property. If no replacement or rebuilding is economically feasible the physical depreciation will be 100%.

Premise of Value

A statement identifying the assumptions, criteria or conditions surrounding the definition of value under which the appraisal estimate value is being determined.

Principle of Substitution

A theory whereby a prudent purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute in the market.

Purpose of the Appraisal

A statement clearly identifying the value(s) to be estimated that are consistent with the intended use of the appraisal.

Remaining Useful Life (RUL)

The estimated period during which a property of a certain effective age is expected to actually be used before it is retired from service.

Replacement Cost New (RCN)

The current cost of a similar new property having the nearest equivalent utility as the property being appraised, as of a specific date.

Report

Any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment. (USPAP page U-164)

Reproduction Cost New

The cost of reproducing a new replica of a property on the basis of current prices with the same or closely similar materials, as of a specific date.

Salvage Value

An opinion of the amount, expressed in terms of money that may be expected for the whole property or a component of the whole property that is retired from service for possible use elsewhere, as of a specific date of reproducing a new replica of a property on the basis of current prices with the same or closely similar materials, as of a specific date.

Sales Comparison Approach

This is one of the three recognized approaches used in appraisal analysis to lead to an indication of the most probable selling price of a property (also known as the market approach). This approach involves the comparison of comparable recent sales (or offerings) of similar assets to the subject. If the comparable sales are not exactly like the subject, adjustments must be made to the price of the comparable sales (or offerings) to make the comparables reflect the subject property.

Scope of Work

The type and extent of research and analyses in an appraisal or appraisal review assignment (USPAP page U-166).

Signature

Personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses, and the conclusions in the report (USPAP page U-167).

Standard of Value

The identification of the type of value being used in a specific engagement; e.g. fair market value, fair value, investment value, liquidation value, insurable value, et al.

Trending

A method of estimating a property's reproduction cost new (not replacement cost new) in which an index or trend factor is applied to the property's historical cost to convert the known cost into an indication of current cost. Simply put, trending reflects the movement of price over time.

Uniform Standards of Professional Appraisal Practice (USPAP)

A set of professional appraisal standards established by the Appraisal Standards Board of the Appraisal Foundation. Developed in 1986–87 by the Ad Hoc Committee on Uniform Standards, they have been adopted by major appraisal organizations and federal agencies in North America and are generally recognized as the accepted standards of appraisal practice.

Useful Life

The period of time over which property may reasonably be expected to perform the function for which it was designed

XI. Qualifications

Lee Dorf, Director

Valuation & Advisory
Cushman & Wakefield of Pennsylvania, LLC

Professional Expertise

Lee Dorf is a Director with Cushman & Wakefield's Philadelphia Valuation & Advisory practice, specializing in the valuation of machinery and equipment.

Mr. Dorf has been active in the appraisal industry since 1997 and has performed valuations of machinery and equipment for multiple financial statement and tax reporting purposes, insurable replacement cost studies, fresh start accounting, lease and collateral evaluation, and property tax analysis as well as operational and technical due diligence reviews.

He has extensive industry experience valuing equipment utilized in: asphalt and concrete, automotive, broadcast and communications, chemicals, data centers, entertainment, food production, foundries, general manufacturing, healthcare, hospitality, injection molding, life sciences, medical device, metalworking, packaging, pulp and paper, petroleum, pharmaceutical, plastics, restaurants, steel service, textiles, and telecommunications.

His appraisal work has involved projects throughout the United States, as well as Canada, Mexico, Brazil, United Kingdom, Denmark, Japan, France, Italy, Switzerland, and Germany.

Prior to joining Cushman & Wakefield, Mr. Dorf spent nine years at PricewaterhouseCoopers LLP, as a member of the Tangible Asset Valuation group, where he was the National fixed assets audit assist leader and oversaw formal reviews of valuation reports prepared on behalf of the firm's audit clients. He has also performed valuation services for Marshall & Stevens, Inc., Deloitte LLP, and Arthur Andersen, LLP.

Memberships, Licenses, Professional Affiliations and Education

- American Society of Appraisers – Machinery & Technical Specialties, ME201, 202, 203.
- Bachelor of Science – Business Administration, Bloomsburg University

James A. Cook, Senior Director
Valuation & Advisory
Financial & Tax Reporting
Cushman & Wakefield of Georgia, LLC

Professional Expertise

James ("Jimmy") Cook joined the Atlanta office of Cushman & Wakefield in 2022 as a Senior Director in the Valuation & Advisory group with more than 15 years of valuation experience. He has extensive experience performing valuations of businesses and ownership interests, commercial real estate, and machinery and equipment. Jimmy has conducted valuations related to mergers and acquisitions, financial reporting compliance, public utilities, ESOPs (fairness opinions and annual equity valuations), financing, litigation support, estate and gift tax planning, and other commercial valuation purposes.

Within the context of financial reporting, his areas of concentration include fair value measurements (ASC Topic 820), purchase price allocations (ASC Topic 805), lease accounting (ASC Topic 840), and impairment analyses (ASC 350 and ASC 360).

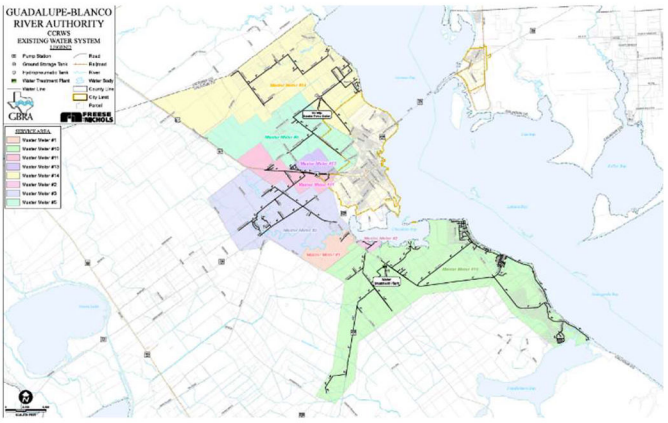
Prior to joining Cushman & Wakefield, Jimmy was a vice president at a boutique valuation firm, where he focused on business valuation and advisory for small and middle-market companies related to ESOPs, financial reporting, and tax planning. Before that, James was a senior manager in the Valuation Services practice of KPMG LLP, where he specialized in financial reporting valuations for public and private companies. He also has significant experience advising international clients and spent part of his career based in London and Tokyo with KPMG's corporate finance practice.

Memberships, Licenses, Professional Affiliations and Education

• Certified General Real Estate Appraiser in the following states: − Georgia – #351110
− South Carolina – #7772
− Tennessee – #5602

• Member and Candidate of the American Society of Appraisers
• Member of Japan-America Society of Georgia
• Master of Business Administration, The Johnson School, Cornell University
• Bachelor of Science, Electrical Engineering, Georgia Institute of Technology

APPRAISAL
OF
Guadalupe-Blanco River Authority (GBRA)
(PWS ID NO. 0290007)
Water & Wastewater Systems



FOR
UNDINE, LLC.

THE DATE OF THE REPORT:
JUNE 7TH, 2023

THE EFFECTIVE DATE OF THE APPRAISAL:
MARCH 22ND, 2023

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SECTION 1 – APPRAISAL SUMMARY

An appraisal engagement agreement was entered into between Utility Valuation Expert ("Appraiser"), Robinson Wilson, which is the appraiser signing the Certification and the Client, Undine Texas, LLC and Undine Texas Environmental, LLC (collectively "Undine Group, LLC") a Texas limited liability company to conduct an independent, objective, and impartial appraisal of a water distribution system and a wastewater system located in Calhoun County, Texas.

Undine Group, LLC. ("Acquiring Utility") has signed an asset purchase agreement with Guadalupe-Blanco River Authority (GBRA) (Selling Utility) agreeing to the sale and transfer of the assets and certified service area ("CCN") of GRBA's Calhoun County Rural Water System to Undine Texas (Water CCN No 13260) and GRBA's Crestview Subdivision wastewater system in Calhoun County, Texas to Undine Environmental (Sewer CCN No. 20816);

The systems are regulated retail water and wastewater utilities which have historically operated under the name Guadalupe-Blanco River Authority. ("Selling Utility"). The Client ("Undine Group, LLC. "), itself a regulated utility, intends to acquire all of the operating assets of Selling Utility subject to approval by the Public Utilities Commission of Texas ("Commission" or "PUCT"). This appraisal assignment is to determine the ***Fair Market Value*** of the Selling Utility's assets in accordance with §13.305 of the Texas Water Code ("TWC") and with §24.238 as promulgated by the Commission's rules and regulations [16 Tex. Admin Code].

Based on communications with the client, the Intended Users of this Report identified by the Utility Valuation Expert are the Client (Undine Group, LLC., "Acquiring Utility"), Guadalupe-Blanco River Authority (Selling Utility), and the Public Utility Commission of Texas (PUCT).

The effective date of this assignment is March 22nd, 2023 which is the same date as the date of inspection of the subject's tangible assets. It is not required that the date of inspection be the same date as the "date of value" or the effective date of the value opinions. The decision to make the date of inspection and the date of value the same date is a scope of work decision by the appraiser.

The characteristics of the subject's "systems" (water and waste) that are relevant to this assignment to determine the Fair Market Value (as defined in this report) are summarized to include but are not limited to the following:

- Real property parcel and rights in real property
- Customer accounts (water and wastewater connections)
- Water treatment plant, wells, storage tanks and distribution system
- Wastewater treatment plant, wells, storage tanks and distribution system
- Hydrants, valves, meters, pump stations and other ancillary appurtenances for the Systems
- All other tangible items or assets for Systems
- Other water related assets owned by the Seller not included in the purchase agreement but part of the System
- Other wastewater related assets owned by the Seller not included in the purchase agreement but part of the System.

Assignment Conditions for this assignment is summarized as follows:

- One of the three utility valuation experts selected as required by Texas law recommended using **MRB Group** to perform the "systems" engineering services, and this recommendation was accepted by all three utility valuation experts (appraisers) selected by the utility commission in accordance with Sec. 13.305 of the Texas Water Code.

- The Texas Water Code requires three utility valuation experts be selected from the list maintained under law by the Commission, and that the three utility valuation experts selected under Subdivision (2) of the Texas Water Code, jointly shall retain a licensed engineer to conduct an assessment of the

- Therefore, for administrative purposes, **Utility Valuations Experts, Inc.** willingly volunteered as a corporate entity to coordinate retaining **MRB Group** with the understanding among all the selected utility valuation experts that our Client, Undine Group, LLC. , shall reimburse the cost of **MRB Group** services when invoice to Client.

The studies and analyses undertaken with respect to the determination of the Fair Market Value of Selling Utility was based on the three recognized approaches to property valuation: the Cost Approach, the Income Approach, and the Market Approach.

A narrative description of these valuation approaches is presented in this Report in the appropriate sections referenced in the table of content. Valuation analyses of the findings are presented to help make useful the data collected.

For example, below Table 1-1 summarizes the findings regarding the values determined under each of the valuation approaches or methods.

Table 1-1
Summary of Values for the Selling Utility as of March 22, 2023

Description	Indicated Value
Cost Approach Indicated value for	$17,880,000
Income Approach DCF Analysis indicated value for	$7,080,000
Market Approach Indicated value for	$5,850,000

In consideration of all the statement of assumptions, limiting conditions, data collection, assignment conditions, defined scope of work, and appraiser's certification as documented in this report, appraiser's opinion of the Fair Market Value of the Selling Utility as of March 22nd, 2023 is ***$12,480,000***.

SECTION 1
APPRAISAL SUMMARY

The appraisal was conducted under the assumption that the Selling Utility would be operated as a stand-alone ongoing business enterprise. The values determined under the Cost Approach, Income Approach, and Market Approach summarized in this Appraisal Report have been supported with data presented, market research conducted, engineering valuation work performed, and with professional assistance, as reported in the Certification of this Appraisal.

Furthermore, the findings are based on the data and information obtained primarily from the Acquiring Utility and Selling Utility and data collection from public resources readily available as of the date of this report. Appraiser makes the extraordinary assumption that all information and data used are reliable, which, if found contrary to new and or more accurate information may cause the appraiser to revise the report and or alter opinions and conclusions rendered.

In reaching the conclusions discussed herein, certain assumptions and limiting conditions were made regarding current events and circumstances that may affect the assignment results. No assurances or guarantees are made as to the actual outcome of any assumption made in the development and reporting of assignment results.

An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics. An appraiser must comply with USPAP when obligated by law or regulation, or by agreement with the client(s). In addition, an individual should comply any time that individual represents that he or she is performing the service as an appraiser.

This appraisal assignment is not based on a requested minimum valuation, a specific valuation, or the approval of anything of value, such as a “loan” as of the effective date of the appraisal.

SECTION 2 - ASSIGNMENT ELEMENTS & SCOPE OF WORK

2.1 Appraiser's Statement of Fact

I am Robinson Wilson; and I work for **Appraisal Analytics Incorporated**. I am qualified to determine the fair market value of the public drinking water system (PWS ID No. 0290007) and the Crestview Subdivision Wastewater Treat plant currently owned by **Guadalupe-Blanco River Authority (GBRA),** (Selling Utility) and to be sold to **Undine Group, LLC.,** (Acquiring Utility), as described in the Selling Utility and Acquiring Utility's filing on December 20, 2022 in Public Utility Commission of Texas Project No. 49859. I am qualified to determine the Fair Market Value of the Selling Utility in accordance with 16 Texas Administrative Code § 24.238, including using the cost, market, and income approaches in accordance with subsections (g) through (i) of 16 Texas Administrative Code § 24.238 and in compliance with Uniform Standards of Professional Appraisal Practice.

Robinson Wilson has been working in the appraisal business for more than 30 years. I complied with the Competency Rule prior to agreeing to perform this assignment. I disclosed appraiser's past experience in conducting economic evaluation of a public utility system (water ad or wastewater). Some of my past assignments includes: the purchase of The Commons Water Supply, Inc by Aqua Texas, Inc.; the purchase of The Copano Cove Water Company, Inc. by CSWR-Texas Utility Operating Company, LLC.; and the purchase of The Texas Landing Utilities by CSWR-Texas Utility Operating Company, LLC.; the purchase of The Texas Landing Utilities by CSWR-Texas Utility Operating Company, LLC.; and the purchase of The KT Water Development, Ltd. by SJWTX, Inc. Hence, I am familiar with the subject's specific type of property, and the steps that will be taken as an approved utility valuation expert by PUCT to complete the assignment competently.

The Appraisal Foundation (Foundation) for more than two decades, and now once every two years certify individuals to teach the Uniform Standards of Professional Appraisal Practice (USPAP) course. Upon certification as an "*AQB Certified USPAP Instructor*" that individual is considered a Subject Matter Expert (SME) on appraisal standards and ethics, and believed to be ranked in the top 1% of those

having in-depth knowledge and understanding of USPAP. This is based on the fact that there are approximately 400 AQB Certified USPAP Instructors credentialed out of 93,752 real property licensed and certified appraisers; in addition to, at least, thousands plus personal property and intangible asset appraisers not required to be licensed or certified in the United States of America. I am an AQB Certified USPAP Instructor recognized as such by the Appraiser Qualifications Board (AQB) of The Appraisal Foundation. Also, I hold an MBA degree along with numerous professional designations.

Past experience with additional details of my resume conducting economic evaluations of utility system (water and wastewater) is available on the *Commission's* website filed in multiple dockets available for public view through the PUCT *Interchange* website.[1]

2.2 Vantage Point Advisors, Inc. (a Stout Risius Ross company)

Gregory E. Scheig, CFA, CPA/ABV is the Managing Director of the company. The firm provides advisory and consulting services in valuation, expert testimony, and financial advisory services with specialization in business valuation, economic damages, and forensic accounting testimony.

Mr. Scheig has been recognized and qualified as an expert before the courts and regulatory commissions in the areas of utility valuation and utility rates and regulation. He has testified before circuit courts, federal district courts, the regulatory commissions, arbitration panels and utility regulatory commissions in multiple states. He received his Master of Business Administration in Finance and Accounting from the University of Texas at Austin, Texas.

Mr. Scheig holds numerous prestigious designations and a copy of his resume can be found in Docket 49859 and is available for review through the PUCT *Interchange* website.[2]

2.3 MRB Group

MRB Group (MRB) has more than 90 years of experience in providing engineering, architecture, and planning services to our clients. MRB Group provides a wide range of services in the areas of engineering, architecture, and planning. It provides services to local and national municipalities

[1] http://interchange.puc.texas.gov/Documents/49859
[2] http://interchange.puc.texas.gov/Documents/49859

and industries. MRB Group is a provider of engineering services and recognized in the water/wastewater industry.

2.4 The Standard and Definition of Value

Definition of Fair Market Value and its sources have been provided in the Definition section of this Report. (See the Definition section)

The standard of value being appraised is the *Fair Market Value,* and according to the Texas Water Code, "for the purposes of the acquisition, the fair market value is the average of the three utility valuation expert appraisals conducted" [*Reference:* Texas Water Code. Sec. 13.305(c)]

The Texas Water Code requires that each utility valuation expert shall perform an appraisal in compliance with Uniform Standards of Professional Appraisal Practice, employing the cost, market, and income approaches, to determine a fair market value. Then, the next step in the Fair Market Value valuation process is to calculate the Mean or the average of all the three utility valuation experts' fair market values. This becomes the Fair Market Value of the System for the Acquiring and Selling Utilities.

Furthermore, USPAP does not define a particular type or standard of value, including fair market value. USPAP dictates that the type or standard of the opinion of value used must be defined in the report and its source(s) cited, as has been done in this Appraisal Report.

2.5 Intended Use and Users

The Intended Use of this appraisal is to determine the *fair market value* of the selling utility.

The Intended Users of this appraisal report are identified as the Client (Undine Group, LLC.), the Selling Utility (Guadalupe-Blanco River Authority), and the Utility Commission (PUCT). Undine Group, LLC. will submit the report to the PUCT as part of its sale, transfer, or merger application seeking PUCT approval to acquire the Selling Utility as filed in public records.

No additional intended users or uses are identified by the appraiser(s). **Note**: Receipt of a copy of this appraisal by an unidentified party or any other third party does not mean that the party is an authorized intended user of the "Report" (*as defined in the Edition of USPAP*).

Such parties are advised to obtain an appraisal from an appraiser of their own choosing if they require an appraisal for their own use. This appraisal report would be misused if not used as intended by the appraiser(s) and as agreed to.

2.6 Valuation Date and Date of the Report

The "***effective date***" of the appraisal establishes the context for the value opinion, while the "***date of the report***" indicates whether the perspective of the appraiser on the market or property as of the effective date of the appraisal was prospective, current, or retrospective. The effective date of this appraisal is March 22nd, 2023. For this assignment, the date of the report is the date of signature. The date of the signature can be found in the Certification section of this Report.

2.7 Property Interest Appraised

Property rights being appraised includes all the items to be delivered at Closing, per the Asset Purchase Agreement (APA) executed. It should be mentioned that the purchase contract was NOT delivered to this appraiser for analysis as required under USPAP.

As of the effective date of this appraisal, the subject property is under contract to sell for a price unknown to the appraiser signing this Certification. The listing price or asking price is also not known based on the documentation provided or not to the appraiser by the Acquiring Utility. Since the subject purchase contract was not analyzed, the contract is assumed to identified tangible and intangible assets to be conveyed at closing. At the Closing, the Selling Utility Shall sell and transfer to the Acquiring Utility by the Special Warranty Deed and the Bill of Sale, as agreed to in the asset purchase agreement.

An assumption was made in this assignment that land interests, rights, and benefits are conveyed in fee simple estate, along with other assets. The Selling Utility interest being appraised contains elements of ownership control; thus, all those rights are conveyed, including, without limitation, all rights to operate the "systems" as such are now being operated.

The property interest appraised is the fee simple interest in the tangible assets and certain intangible assets (i.e., water rights) comprising the Selling Utility. In addition, land owned by Seller on which the water and wastewater plants are located.

2.8 Essential Definitions (definitions are not listed in alphabetical order)

2.8.1 Fair Market Value

The term Fair Market Value is defined by the American Society of Appraisers as:

> *An opinion expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date.*[3]

2.8.2 Fair Value

The term Fair Value is defined in the Glossary For Property Appraisal And Assessment as:

> *(1) In taxation, market value. (2) In public utility regulation, a term inappropriately applied to the combination of costs and values that commends itself to the courts as a fair rate base.*[4]

2.8.3 Public Water System

If you provide water to the public, you may be a public water system (PWS). State and federal regulations define PWSs [30 TAC §290.38(71), Fed Ref]

A PWS provides potable water for the public's use. A system must be 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. This includes people that live in houses served by a system, but can also include people that do not live there. For instance, people served could include employees, customers, or students.

2.8.4 Facilities

Means, according to Texas Water Code, "*all the plant and equipment of a retail public utility, including all tangible and intangible real and personal property without limitation, and any and all means and instrumentalities in any manner owned, operated, leased, licensed, used, controlled, furnished, or supplied for, by, or in connection with the business of any retail public utility.*"

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[3] *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets,* 3rd Edition, American Society of Appraisers, 2011, page 10.
[4] IAAO Glossary.

2.8.5 Physical Characteristics

Attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgment. [USPAP 2022-2023 Edition]

2.8.6 Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. [USPAP 2022-2023 Edition]

2.8.7 Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. [USPAP 2022-2023 Edition]

2.8.8 Intangible Property (Intangible Assets)

Nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment. [USPAP 2022-2023 Edition]

2.8.9 Intended Use

The use(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment. [USPAP 2022-2023 Edition]

2.8.10 Intended User

The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment. [USPAP 2022-2023 Edition]

2.8.11 Customer

The "Customer" means the individual, firm, or corporation in whose name a master meter has been connected by the utility service provider. [Source: Water Code]

2.8.12 Water Utility

Water utility: A water utility produces and delivers potable water, i.e., water that is safe for drinking. Potable water treatment facilities include all assets associated with treating source water to make it ready for distribution, including equipment associated with disposal of solids accumulated during treatment. A potable water distribution system includes all piping, valves, hydrants, pump stations, storage facilities, service taps and meters, and other appurtenances conveying drinking water to customers. [Source: 2020 American Water Works Association publication]

2.8.13 Water and Sewer Utility, Utility, Or Public Utility

Any person, corporation, cooperative corporation, affected county, or any combination of those persons or entities, other than a municipal corporation, water supply or sewer service corporation, or a political subdivision of the state, except an affected county, or their lessees, trustees, and receivers, owning or operating for compensation in this state equipment or facilities for the transmission, storage, distribution, sale, or provision of potable water to the public or for the resale of potable water to the public for any use or for the collection, transportation, treatment, or disposal of sewage or other operation of a sewage disposal service for the public, other than equipment or facilities owned and operated for either purpose by a municipality or other political subdivision of this state or a water supply or sewer service corporation, but does not include any person or corporation not otherwise a public utility that furnishes the services or commodity only to itself or its employees or tenants as an incident of that employee service or tenancy when that service or commodity is not resold to or used by others.. [Source: PUCT]

2.8.14 Retail Water or Sewer Utility Service

The Potable water service or sewer service, or both, provided by a retail public utility to the ultimate consumer for compensation. [Source: PUCT]

2.9 Statement of Assumptions and Limiting Conditions

1. Appraiser will not give testimony or appear in court because he or she made an appraisal of the property or asset in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law. If required by law, reasonable and customary compensation is required by the appraiser for any services rendered or expected. To be clear, by reason of this appraisal, the appraiser shall not be required to give testimony as an Expert Witness or Deposition in any legal hearing or before any court of law unless justly and fairly compensated prior to or as arranged for such services.

2. Information and data contained in the report, although obtained from public records and reliable sources were carefully considered by the appraisers and accepted as sufficient to support the opinion of value conclusions of the subject property appraised. Secondary source information was believed to be reliable, but its accuracy cannot be guaranteed.

3. In accordance with the Texas Water Code, in collecting data and analyzing data to form an opinion of value of the Selling Utility, certain assignment conditions exist that affect the scope of work completed. So, in developing the scope of work, assignment elements produce certain conditions and/or circumstances that may affect the FMV of the properties conveyed. In addition, certain information is provided to the utility valuation expert(s) by other sources, all of which are believed to be reliable and reasonable for the purpose of producing credible assignment results.

4. Given the fact that this is a purchase transaction, the assumption is made that the subject property is purchased as a "stand-alone" business enterprise and would continue to be operated as same.
5. Appraiser's performance in some cases is dependent upon the Client's timely and effective performance of its responsibilities as set forth in the appraiser engagement agreement and the Client's timely decisions and approvals.

6. Appraiser makes no determination as to the validity, enforceability or interpretation of any law, contract, rule, or regulation applicable to the Selling Utility and its operations.

Furthermore, it is assumed that all such applicable laws, contracts, rules, and regulations will not adversely affect the FMV of the water and wastewater systems appraised.

7. Appraiser signing the certification have reasonable basis for believing that those individuals performing the work relied on, and who do not sign the certification, but recognized in the certification for significant assistance provided are competent and credible.

8. Appraiser assumed that there is no environmental contamination associated with the assets being appraised and that such property is being operated and will continue to be operated in accordance with all existing environmental laws and regulations. Moreover, appraiser assumed that the current environmental regulations would stay in place throughout the estimated remaining economic useful life of the Selling Utility, and that no additional regulations will be adopted that would require significant economic capital that negatively impact investments in the subject property.

9. No opinion is intended to be expressed for matters that would require specialized knowledge or investigations beyond that which would typically be done by utility valuation experts engaged in this type of assignment.

10. Appraiser will not be responsible for matters of legal nature that affect either the property being appraised or the title to it, except for relevant information that he or she became aware of during the research involved in performing this appraisal. Appraiser assumes that the title is good and marketable and will not render any opinions about title.

11. Appraiser assumed that any Acquiring Utility would operate the Selling Utility in a reasonable and prudent manner reflective of efficient management based on industry best practices.

12. Appraiser assumed no responsibility for any financial reporting judgments that are appropriately those of Management. Management accepts the responsibility for any related financial reporting with respect to the assets, properties or business interests encompassed by this appraisal.

13. Appraiser assumed that the properties or assets included in the appraisal conform to all applicable zoning laws, use regulations, and restrictions, as well as all applicable federal, state, and local environmental regulations and laws.
14. Appraiser relied on the client's hired engineer's assessment of the property conditions in rendering appraiser's analyses, opinions, and or conclusions. The appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but no limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. Because the appraiser is not an expert in any of these fields of study, except in valuation.
15. The scope of work performed or not performed does not fix proper and adequate rates and methods of depreciation, amortization, or depletion of the several classes of property of each utility - the utility commission shall fix and shall require every utility to carry a proper and adequate depreciation account in accordance with those rates and methods and with any other rules the utility commission prescribes.
16. No part of the contents of this report, especially any conclusions of value, the identity of the appraisers or the firm with which the appraisers are associated, shall be disseminated to the public through advertising, public relations, news, sales or other media without our prior written consent and approval.
17. The information furnished by the Company is believed to be reliable. However, no warranty or other form of assurance regarding data accuracy is made in producing this report.
18. Appraiser assumed that all required licenses, certificates of occupancy, consents or legislative or administrative authority from any local, state, or national government, private entity or organization have been or can be obtained or renewed for any use on which the valuation opinion contained in this report is based.

2.10 Scope of Work

— Scope of work aspects of the appraisal process is to determine the type and extent of research and analysis necessary to produce a credible report given the assignment conditions as of the effective date of the appraisal. Thus, the scope for the "systems" being appraised includes disclosure of research and analyses performed, data collection procedure used, and use of recognized methods and techniques, etc. Likewise, the scope of work includes disclosure of research and analyses not performed, data collection procedure not used, and recognized methods and techniques not used, but applicable, etc.

— In appraisal practice, as much as appraisers want or like to have all the information or data in order to produce a perfect scope of work, such is an impossible choice. And there always seem to be some data sources that present contradictory datapoints or are faced with inadequate datapoints; thus, these factors, assumptions, and limiting conditions become foundational in developing the scope of work decisions.

— Scope of Work performed in this assignment is not limited to the scope of work enumerated in the appraisal engagement contract.

— As required under law, utility valuation expert performed an independent appraisal of the selling utility, including the valuation of intangible assets as appropriate, in compliance with Uniform Standards of Professional Appraisal Practice, using the cost, market, and income approaches in accordance with PUCT rules and regulations.

— Scope of the appraisal performed did not take into account the purchase price negotiated by the acquiring utility and the selling utility, because such information was unknown to the appraiser(s). And it was not necessary nor applicable to explore methodologies to arrive at the purchase price.

— Appraiser does not guarantee that the Property is free from defects.

— The appraiser established the fair market value of the Selling Utility for only the identified intended use as stated in this assignment.

— Appraiser used the cost, market, and income valuation methods in performing the final opinion of value in compliance with the PUCT rules. This is an arm's-length transaction, and this fact is considered in the final reconciliation of values phase of the appraisal process.

— The appraiser's opinions and conclusions are supported, as presented in this evaluation, based on analyses of the subject's relevant characteristics, data collected, economic principles of value influences, and value characteristics extracted from market research and from professional and or individual assistance as recognized in this report.

— Appraiser did not use or incorporate any tangible or intangible materials that may infringe the proprietary rights of any third party in providing the Services.

2.11 Sources of Data or References

In addition to the sources or references noted by the footnote, other data resources used in the assignment are as follows:

- *Valuing Machinery and Equipment,* American Society of Appraisers
- *Uniform Standards of Professional Appraisal Practice*, Appraisal Standards Board of the Appraisal Foundation, 2022-2023 Edition.
- Publication of the Public Utility Commission of Texas – *"System of Accounts for Water and Wastewater Utilities - with 200 or More Connections"*
- Duff and Phelps, *Cost of Capital Navigator*
- Texas Legislature, in 2013, transferred the economic regulation of water and sewer utilities from the *Texas Commission on Environmental Quality* (TCEQ) to the *Public Utility Commission* (PUC). This administrative transfer involved the regulation of water and sewer, rates, and services in Certificates of Convenience and Necessity (CCNs) Zone, and its Sale/Transfer/Mergers.
- Federal Reserve Bank, publications
- The PUCT *Interchange* website: http://interchange.puc.texas.gov.
- Engineering News Record, *Construction Cost Index History*
- *Handy Whitman Index of Public Utility Construction Costs*, Bulletin No. 191
- Guadalupe-Blanco River Authority. Water and Wastewater Utilities Annual Reports, submitted to the Public Utility Commission of Texas.
- Industry information as detailed by IBISWorld and the Value Line Investment Survey
- Industry transaction information from SEC filings and press releases
- Engineer's Report on the Company prepared by MRB Group, dated May 8, 2023

SECTION 3 – DESCRIPTION OF SUBJECT PROPERTY

3.1 Selling Utility (Guadalupe-Blanco River Authority) (GBRA).

The subject's geographic area boundaries are north of highway 185 (Seadriff/Port O'Connor); south of highway 35 (City of Port Lavaca); east of highway 185 (Long Mott); and west of the bays (Chocolate Bay, Cox Bay, and Keller Bay). The subject is located approximately 30 miles southeast of the city of Victoria in Calhoun County, Texas

The subject is an investor owned drinking water and wastewater systems, described as follows: **Guadalupe-Blanco River Authority.** ("Systems"), located in Calhoun County, Texas. The Water System (PWS: ID No. 0290007) currently supplies water services to its own customers and other public entities, one of which is the City of Port Lavaca. Water is supplied to the Six Mile area, one region of the utility's service area, via the city of Port Lavaca's distribution system. The wastewater system service the Crestview subdivision.

The Guadalupe River is the source of water for the water treatment facility. The Guadalupe-Blanco River Authority is an Investor-Owned Utility, meaning, it must first file a Rate/Tariff Application Change form before changing systems rates, and for reference, Undine Group, LLC. (acquiring utility) and Guadalupe-Blanco River Authority. (selling utility) have both filed a Notice of Intent to Determine Fair Market Value with the Public Utility Commission of Texas ("PUCT") Docket No. 49859.

TCEQ completed assessments of the subject's water and sewer utilities, and the results were reported in the engineer's report. Any detections of contaminants will be found in the Consumer Confidence Report. Appraiser is not an expert on examining such annual Consumer Confidence Reports to look for the system's compliance with federal and or state drinking water standards. However, the licensed engineer retained by the utility valuation experts for this assignment prepared a preliminary Engineer's Opinion of Probable Construction Cost (EOPCC). The

engineer's report is required to be reviewed in conjunction with this appraisal for complete understanding of appraiser's analyses, opinions, and conclusions.

The Utility Valuation Experts and the Engineers site visit of the subject's water and wastewater systems at: 1064 TX 316, Port Lavaca, Texas - was visually completed based on what a naked eye could see by the appraiser signing this certification, no special tool and or equipment was used by the appraiser during field data collection phase of the appraisal process on March 22,2023 at about 10:00 AM Central Time.

3.2 Subject's Physical Characteristics and Condition Analysis

The Selling Utility is providing potable water to the Calhoun County Rural Water System and wastewater services to the Crestview Subdivision with approximately 1,494 and 61 residential connections, respectively, all facilities located wholly in Calhoun County, Texas. The subject property is identified with the Public Utility Commission of Texas under its Certificate of Convenience and Necessity (CCN) Zone Number, and it has no competition within the designated CCN zone served for residential and commercial customers.

The assets that the Selling Utility utilizes in the Water and Wastewater systems, including, without limitation, all pipes, tanks, services, meters, pressure tanks, pumps, air compressors, valves, real property, water wells, and associated water rights and easements used in servicing the area by the Selling Utility are assumed to be part of the determination of fair market value. The engineer's report summarized the subject's relevant and major components of each system within the entire service zone.

Aerial Map Showing the Water and Wastewater Plants Location

Subject Photo Showing the Water System's Plant Location

Subject Photo Showing the Wastewater System's Plant Location

SECTION 4 – MARKET AREA

4.1 Area Economic and Demographic Characteristics

4.1.1 Calhoun County [5]

The subject market area was analyzed at the micro level using the County of Calhoun County, Texas. Calhoun County, Texas is the 121st largest county in Texas. As of the 2020 US Census, its population is estimated at 20,106, a population percent change of -5.96% since the 2010 census (21,381).

Geographically, according to the U.S. Census Bureau, the county has a total area of 1,033 square miles (2,680 km^2), of which 526 square miles (1,360 km^2), or 51% of the land is covered by water. Calhoun County is part of Goliad and Victoria counties included in the Victoria Metropolitan Statistical Area, which is a metropolitan statistical area (MSA) in the United States with a population under 100,000 and ranked 361st in MSA rankings. Economically, the Victoria Metropolitan Statistical Area is advantageous to industries in agriculture and petrochemicals given its proximity to the Gulf Coast ports. Major industrial employers in the region include Formosa Plastics Corp, Inteplast Group, Dow, Invista, Caterpillar, and Alcoa.

[5] Wikipedia.

SECTION 5 – VALUE INFLUENCES AND METHODS

5.1 Summary of the General U.S. Economic Outlook

The Bureau of Economic Analysis (BEA) reported the nation's economy, as summarized in the table below. The following table shows the long-term economic data forecast for real GDP growth and consumer price growth (inflation) of 1.9 percent and 2.2 percent, respectively. The sum of real GDP growth and consumer price index growth is nominal GDP growth, which is forecast to be 4.1 percent for the period 2028 through 2032. Estimated nominal GDP growth can be useful in estimating long-term growth rates in an income approach to valuation.

					Consensus Forecasts**					
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028-2032
Real GDP*	2.3	-2.8	5.9	2.1	0.2	1.6	2.3	2.2	2.0	1.9
Industrial production*	-0.7	-7.0	4.9	3.9	-0.5	1.6	2.2	2.0	1.7	1.7
Consumer spending*	2.0	-3.0	8.3	2.8	0.8	1.5	2.2	2.2	2.1	1.9
Real disposable personal income*	3.5	6.2	1.8	-6.4	1.6	2.6	2.5	2.3	2.2	2.2
Business investment*	3.6	-4.9	6.4	3.6	0.6	1.8	3.2	3.1	3.0	2.7
Nominal pretax corp. profits*	3.9	-5.9	22.6	6.2	-1.4	5.0	5.3	4.9	4.5	4.0
Total government spending*	3.3	2.6	0.6	-0.6	0.9	NA	NA	NA	NA	NA
Consumer price inflation*	1.8	1.2	4.7	8.1	4.1	2.4	2.3	2.3	2.3	2.2
Core PCE	1.7	1.3	3.5	4.4	3.7	NA	NA	NA	NA	NA
3-month Treasury bill rate	1.5	0.1	0.1	2.1	4.5	3.1	2.6	2.5	2.5	2.4
10-year Treasury bond yield	1.9	0.9	1.6	3.0	3.8	3.3	3.3	3.2	3.2	3.1
Unemployment rate	3.7	8.1	5.4	3.6	4.4	NA	NA	NA	NA	NA
Housing starts (millions)	1.3	1.4	1.6	1.6	1.3	NA	NA	NA	NA	NA

Source of historical data: U.S. Department of Commerce, U.S. Department of Labor, U.S. Census Bureau and The Federal Reserve Board.
Source of forecasts: Consensus Forecasts - USA, December 2022.

Notes:
*Numbers are based on percent change from preceding period.
Historic consumer price inflation, unemployment rate, 3-month Treasury rate, and 10-year Treasury yield are the annual averages.

**Forecast numbers are based on percent change from preceding period (excludes unemployment rate, housing starts, 3-month Treasury rate, and 10-year Treasury yield). Consumer price inflation information is annual averages. The 2023 through 2027 forecasts for the 3-month Treasury rate and 10-year Treasury yield are for the end of each period. Forecasts for 2028-2032 signify the average for that period.

Consumer spending, also known as personal consumption expenditures, includes spending on services, durable, and nondurable goods.
Business investment is also referred to as nonresidential fixed investment.
Total government spending includes federal, state, and local government spending.

Every month, Consensus Economics surveys a panel of 30 prominent United States economic and financial forecasters for their predictions on a range of variables including future growth, inflation, current account and budget balances, and interest rates.

5.2 Industry Market Perspectives

Water Supply & Irrigation Systems Industry Outlook*

Companies in the Water Supply and Irrigation Systems industry sell water as a public utility to households, businesses and public entities throughout the country. Suppliers maintain water treatment plants and supply systems. Given the assumption that water management has been efficient throughout the industry period, industry revenue is set to grow at a CAGR of 0.5 percent to $97.0 billion through 2023, including a 0.4 percent increase in 2023 alone. An increasing US population and the reopening of businesses and industrial facilities have led to growth. Profit has also benefited during the period.

The domestic public water supply system has demonstrated privatization throughout the period. Private companies have continued to purchase the rights to operate public water utilities, stepping in to upgrade aging infrastructure. These business enterprises filed rate increase applications with their respective public utility commissions (PUCs) and the rates continued to be granted because of ongoing upgrades. Water suppliers are also under constant consolidation, with larger public utility companies growing by acquiring smaller and less-efficient distribution systems.

Through 2028, water supply companies are set to grow as commercial and industrial clients return and households continue to expand. Private companies are set to continue taking over public companies. Public sentiment has pushed for more water conservation, leading to a fall in consumption over a period. Public utility commissions are looking to address this by approving an increase in the rate charged to their downstream customers to offset this shift in consumer behavior. Overall, revenue is set to grow at a CAGR of 0.7 percent to $99.5 billion through 2028.

* Source: Report, "Water Supply & Irrigation Systems in the U.S.," Industry profile, IBIS World, March 2023

Sewage Treatment Facilities Industry Outlook*

Sewage treatment facilities suffered as waste volumes decreased because of falling consumer confidence and business sentiment. Global trade tensions between countries and COVID-19 dampened consumer confidence in 2019 and 2020, leading to slight declines. However, the sewage treatment

facilities provide essential services, amid the crisis. Overall, industry-wide revenue fell at a CAGR of 0.3 percent to $23.7 billion over the past five years, including 1.2 percent recovery growth in 2023.

While local governments and small municipalities dominate, significant consolidation has occurred among sewage treatment facilities in recent years. Inconsistent local and state government investment activity has provided new opportunities for private sector companies. Private entry has spurred acquisition activity, as struggling local governments short on tax revenue have outsourced facilities and operations to meet the public's needs. Companies have bought facilities to stake their claim and turn aging assets into efficient wastewater operations. The entry of private companies has provided an opportunity for increased technological innovation and operational efficiencies, which will boost profitability over the coming years. Nonetheless, these investments take time to translate into improved performance, given the highly capital-intensive nature of sewage treatment facilities.

Through the end of 2028, private companies will continue operating, and acquiring aging assets to expand their presence. While, adopting biotechnology, including genetically engineered microorganisms, to overcome industrial wastewater pollution challenges anticipated. Taking advantages of these trends will promote growth for sewage treatment facilities. Industry revenue anticipated will grow at a CAGR of 1.0 percent to $25.0 billion over the next five years.

***** Source: Report, "Water Supply & Irrigation Systems in the U.S.," Industry profile, IBIS World, March 2023.

5.3 The Subject Historical Financials

Based on the scope of work being perform for the intended use of this assignment, the valuation process includes the analysis of a company's financial statements over time. This is done to assess the financial condition of the business at the time of the valuation, as well as to assess its historical operating performance. Since an investor purchasing an interest in the Company today would be more interested in the future than in the past, the historical results must also be viewed in light of future expectations. However, an investor would look at the historical results for trends as a possible indication of future performance and would also analyze the assets and liabilities of the firm.

Other things being equal, a company with increasing revenues and earnings is worth more than one with little or no growth. In the following sections, the Company's income statements and financial ratios are examined over the fiscal years ("FY") ended August 31, 2020 through August 31, 2022 (collectively, the "Review Period"). The income statement for the fiscal year ended August 31, 2022 is representative of the Company-provided budget. We were not provided with sufficient data on historical balance sheets and were not provided with financial statements later than August 31, 2022. Based on analysis of available data, the estimated trailing twelve-month ("TTM") financial results as of March 22, 2023 were used as the basis for forecasting.

5.4 Valuation Approaches

The appraisal of the Selling Utility was performed using the three (3) recognized approaches for valuing property: Cost Approach, Income Approach, and Market Approach. These three approaches provide the techniques, concepts, principles, and procedures to use in determining value, and these three approaches to value are recognized in USPAP and by Texas Water Code law as recognized methods. Likewise, these three approaches are widely accepted by the financial sector, the business community, and government agencies.

5.5 The Cost Approach

Under the Cost Approach, the value of a particular asset or group of assets is determined by using different techniques, two of which are:

a. Replacement Cost, and

b. Reproduction Cost

In general, the procedure is for the appraiser to determine the current replacement cost of the subject property and then make a deduction for all forms of depreciation, which includes physical deterioration, functional obsolescence, and economic obsolescence. The logic in using the Cost Approach for valuation is grounded in economic theories such as the economy principle of substitution and the economy principle of contribution. Substitution concept illustrates that a prudent buyer will not pay more for a property than the cost of acquiring a substitute property

having similar utility. While the economy principle of Contribution illustrates that the value of a unit of measure is the amount added or subtracted to the whole, in other words, what is the "contributory value" (positive or negative) of that item to the existing overall value of the asset.

Replacement Cost is one of multiple techniques for determining value under the Cost Approach. Replacement Cost is an estimate of the cost to construct a new facility (or product) having like utility to the subject property but with current prices using necessary technological and regulatory modifications as of the effective date of value. When using this approach, the appraiser will typically determine the current cost to construct (i.e., replace) the subject property being appraised taking into account such factors as size, materials, and use function of the property.

Reproduction Cost is an estimate of the cost to construct an identical facility at today's cost. A typical method used by appraisers to determine Reproduction Cost is to "trend" the Historical Cost (discussed below) from the original date of installation to the date of valuation. When using this method, the appraiser will utilize recognized industry cost indices appropriate for the type of property being appraised. This trending technique is illustrated as follows:

$$\frac{Index_c}{Index_n} \quad X \quad HC \quad = \quad RC$$

Where:

$Index_n$ = *Index for the year of installation.*
$Index_c$ = *Index for the current (valuation) year.*
HC = *Historical Cost*
RC = *Reproduction Cost*

There can be cases in where the Replacement Cost of an asset or group of assets may be roughly equivalent to Reproduction Cost, for example, where there is has been no significant change in technology used to produce the asset, and the asset or product is relatively new. When measuring the reliability of a Reproduction Cost value that is based on *trending,* the appraiser is cautioned because trending can easily lead to erroneous results because of several factors (e.g., the cost being trended may not be an accurate representation of historical cost).

5.6 The Income Approach

The *Income Approach* considers value in relation to the present worth of future benefits derived

from ownership and is usually measured through either the capitalization of a specific level of income or by discounting a projected income (i.e., cash flow) stream to determine the present value of future earnings. Two methods can be used to estimate value under the Income Approach: the Direct Capitalization method and Discounted Cash Flow method.

The *Direct Capitalization* method involves the capitalization of a single period of "normalized" income (i.e., cash flow) that is intended to represent future earnings. The Capitalization method can be formulaically expressed as:

$$V = I / (R\text{-}G)\text{*^*}$$

Where: V = *Value*
I = *Income*
R = *Discount Rate*
G = *Growth Rate*

^ (R-G) = (a **cap rate** defined as a discount rate minus growth rate of future income)*

The Direct Capitalization method assumes that there will be no variation in the capitalization rate and no termination of the income stream. Therefore, it can be said that the Direct Capitalization method measures value into perpetuity.

The Discount Rate is usually stated in terms of the Weighted Average Cost of Capital ("WACC") is determined through the investigation of rates for debt and equity that would be considered average for buyers (i.e., investors) in the particular market in which the subject assets operate.

The WACC calculation can be illustrated as follows:

Description	Capital Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	50%	4.5%	2.23%
Equity	50%	10%	5%
Total	100%		7.23%

An important concept to remember when determining an appropriate Discount Rate is that the make-up of the rate must be consistent with the cash flows being capitalized or discounted (in the case of the discounted cash flow method). For example, if interest payments on debt are not included in the income tax calculation to determine cash flow, then the WACC rate must be stated on a "net-of-tax" basis in order to take into account the deductibility of the interest payments for determining income taxes. This is normally accomplished by multiplying the weighted interest rate in the WACC by one minus the effective tax rate.

The Growth Rate is intended to measure the percentage annual growth in cash flow over time. Growth rates can be determined from industry data or an analysis of historical cash flows associated with the subject property.

The *Discounted Cash Flow* ("DCF") analysis used under the Income Approach involves a determination of an estimated purchase price, which, based on an assumed level of revenues and expenses, would result in a purchaser receiving an assumed return on the investment. The determination of "income" is normally based on the net revenue stream of the asset (or asset group) under a given set of assumptions and represents the future earning power of the property. When stated in net present value dollars, this future earning power provides an indication of the income value of the property being appraised.

The DCF analysis used for this appraisal is basically an after-tax net cash flow model of revenues and expenses over a defined study period, illustrated as follows:

	Year 1	Year 2.....	Year 5
Annual Operating Revenues	xxxxx	xxxxx...	xxxxx
Less Annual Operating Expenses:			
Operation & Maintenance Expenses	xxxxx	xxxxx...	xxxxx
Customer Related Expenses	xxxxx	xxxxx...	xxxxx
Administrative & General Expenses	xxxxx	xxxxx...	xxxxx
Taxes Other Than Income Taxes	xxxxx	xxxxx...	xxxxx
Equals: Pre-tax Net Operating Income	xxxxx	xxxxx...	xxxxx
Less: Income Taxes	xxxxx	xxxxx...	xxxxx
Annual Renewals & Replacements	xxxxx	xxxxx...	xxxxx
Change in Working Capital	xxxxx	xxxxx...	xxxxx
Equals: Annual Net Cash Flow	xxxxx	xxxxx...	xxxxx
Times: Discount Factor	xxxxx	,xxxxx...	xxxxx
Equals: Discounted Cash Flow	xxxxx	xxxxx...	xxxxx

Once the annual discounted cash flows have been calculated, they are summed to produce the total present value cash flow over the study period. Where the subject property can be expected to produce income beyond the study period, it is also appropriate to compute a "terminal value" adjustment. The terminal value adjustment is accomplished by capitalizing the annual cash flow in the last year of the study period (using the Direct Capitalization method discussed above) and discounting the result back to the beginning of the period.

Income Statements

Exhibit 2, Page 1 shows the Company's historical income statements for the fiscal years ("FY") ended August 31, 2020 through August 31, 2022 (the "Review Period").

For Water System:

- Net Revenue: FY 2022 net revenue was $1.8 million, an 11.6 percent increase from FY 2021 revenue of $1.6 million.
- EBITDA: FY 2022 EBITDA was $148,181, a decrease from FY 2021 EBITDA of $426,693, primarily due to an increase in maintenance and repairs.

For Wastewater System:

- Net Revenue: FY 2022 net revenue was $63,500, a 6.8 percent increase from FY 2021 revenue of $59,433.
- EBITDA: FY 2022 EBITDA was negative $57,620, an increase from FY 2021 EBITDA of negative $115,656.

For both water and wastewater income statements, review of the historical financial information provided, the Company is not currently earning a market rate of return. Also, given the expected future fair market value adjustment to rate base, it would be expected to have a future rate case to increase its rates. This assumption was also confirmed by Undine representatives, the potential acquiring utility entity.

5.7 The Market Approach

The Market approach is the approach to value in which the amount asked, offered, or paid for a similar property is analyzed to derive an indication of value for the property being appraised. Rarely, if ever in utility asset type, are the comparable sales completely identical to the subject property. Therefore, appraisers are expected to be independent and objective in making supported and appropriate adjustments to the asking or selling price of the comparable property or properties in order to draw a conclusion on value for the subject. To be clear, the sold price for a property may or may not have any relation to the ***value*** that might be ascribed to that property by others.

In the Market approach, the basic procedure is to collect data on transaction sales, determine the similarities (if any) to the subject property, determine the appropriate units of comparison for analysis, array the data, analyze market trends or patterns, adjust the data, and apply the results to the subject. Theoretically, with sufficient data and when properly applied, the Market approach will measure the loss in value due to all forms of depreciation that may be inherent in the subject asset(s), including physical deterioration and functional and economic obsolescence.

Application of the Comparable Sales approach to a public utility property is particularly complex in appraisal practice. Sales of public utility property are relatively few in number, the data pertinent to the property sold is usually difficult to obtain, the tangible and intangible characteristics of the property may all not be available, the challenge of recognizing dissimilarities in amenities or features, and the number of "other factors" that influence the sales price can be challenging to extract from the data available. These factors ultimately influence the price of a public utility property.

Examples of "other factors" to analyze include, but are not limited to, the following:

- Age / Property Condition
- Efficiency (i.e., operating costs)
- Location
- Size (capacity)
- Type of Sale (e.g., arms-length transaction vs. litigation sale)
- Financial Concessions, if any, included in the sales price (e.g., purchase agreement)
- Type of property and equipment included in the sale.
- Motivation of the parties.

In this approach to value, taking into account all of these datapoints requires sound competent judgment by the appraiser. Also, the sources of data (such as from the public and from the parties involved in the sale) and the verification process are significant in producing a credible opinion of value.

SECTION 6 – VALUATION ANALYSIS

6.1 Highest and Best Use

Highest and best use as it is applicable to machinery and equipment (including utility property) is defined as:

> *That use of the property being appraised, which may reasonably be expected to produce the greatest net return over a given period of time, that legal use which will yield the highest present value.*

It is important to recognize that the highest and best use of any individual unit or operating facility may not be its present use. However, in the case of the subject, data collected and analyzed indicates in the appraiser's opinion that the highest and best use of the subject property is its present use - to provide water and sewer services to customers in its service area.

6.2 Land Analysis & Valuation

The land value shown in Exhibit 1-A, line 44, including multiple lots, were identified to be associated with the Selling Utility as real property assets. According to the Calhoun County Appraisal District, these lots are legally described as:

a. Parcel ID# 34582; Bayside Beach, Unit #2, Block 1, Lot 1,2,3; same lot size at 0.2066 acre for each lot or total lot size 0.6198 acre, the assessor's land market value, total $18,900.

b. Parcel ID# 56271; Crestview, Block D, Lot 30, 33; same lot size at 0.1784 acre for each lot or total lot size 0.3568 acre, the assessor's land market value, total $5,140.

c. Parcel ID# 54789; Crestview, Block D, Lot 31, 32; same lot size at 0.1784 acre for each lot or total lot size 0.3568 acre, the assessor's land market value, total $5,140

Research for land sales in the defined market area required appraiser to collect data for a 12 month period from multiple counties, such as Calhoun, Jackson, Matagorda, Aransas, Refugio, and Victoria. The data collected were analyzed and data selection concluded.

Based on analysis of these land transaction datapoints, attributes such as location, size, amenities, and physical characteristics being similar to that of the subject were factors considered in data selecting. With an original dataset of 11 land sales, a statistical analysis was applied and outliers removed from the data set. Thus, eight datapoints ranging in lot size from 0.11 acre to 3.44 acre, brackets the subject lot sizes. This data set revealed a price per square foot range from $0.67 to $4.19, with a mean of $2.39.

Further land analysis indicated that no adjustment was necessary for easement currently permitting access to the water and wastewater plants which may require some clearing of land, culverts, driveway, gate, and or fence. Hence, a quantitative analysis of the two lowest datapoints from the dataset following was used to estimate the selling utility land value.

$0.67, $1.20, $1.47, $1.99, $3.13, $3.25, $3.25, $4.19

This resulted in the subject's site unit price calculated at $0.94 to determine land value, as follows:

The overall total Subject's site value for all parcels identified in this report is $54,600 (rounded).

6.3 Valuation Using the Cost Approach

To determine the value of the Selling Utility under the Cost Approach, it is necessary to clarify that there is a distinction between "Cost" and "Cost Approach." Cost connotes direct and or indirect costs of the improvements on and to the land, and everything else including profit. The Cost Approach is a recognized method in Appraisal Practice and it is a systematic valuation method that includes the value of the land (site). It requires certain steps to be performed to derive a value indication by the Cost Approach. The steps are: determine site value; estimate direct and indirect costs, estimate entrepreneurial incentives; and estimate accrued depreciations (physical, functional, external). Then, complete the appropriate depreciation calculations employing recognized methods and techniques to produce an indicated value using the Cost Approach.

6.3.1 Functional Obsolescence

The Selling Utility is operating as designed, and providing uninterrupted potable water services to its customers. Appraiser is aware that in the engineer's report summarized several items in the system that will require replacement in the near future, these facts were considered in the appraiser's summation of total Physical Depreciation calculation, thus, depreciation calculated is accrued depreciation and not broken down into functional and or economic obsolescence. To be clear, it was not necessary to use the Breakdown technique for estimating accrued depreciation. The Age Life technique was used which does not separate calculations for each component of accrued depreciation to produce a credible report.

6.3.2 Economic Obsolescence

Economic Obsolescence is typically a function of outside influences that affect the value of the whole. Measuring the impact of Economic (or external) Obsolescence is one of the inherent weaknesses of the Cost Approach due to appropriateness of the data available or lack thereof. There are different techniques or methods available to appraisers to measure external obsolescence depending on data collection and analysis, property type being appraised, and the intended use. For example, using the income technique to help identify the existence of Economic

Obsolescence.[6] Notwithstanding any of these techniques, given the Age/Life method was used to calculate depreciation in the Cost Approach, it was not necessary to make a separate calculation or adjustment for Economic Obsolescence in order to produce a credible report.

6.3.3 Depreciation Application

The Depreciation Percent applied to each of the RCN values is shown in "weighted average" column (j) which is based on the depreciation percent calculation using two distinct methods. The first method of depreciation used is the traditional age/life method calculation shown in columns (e) through (g). Age is determined by subtracting the Year of Installation from 2023 (year of valuation) and dividing the difference by the Service Life, if necessary, adjustment is made to avoid excessive depreciation. The resulting depreciation percentages were capped at 100 percent, even in cases where the percentage exceeded 100 percent. The second method of depreciation is based on the replacement prioritization ratings presented in the MRB Group Report. For ease of reference, these prioritization values are shown in the following Table 6-1.

Table 6-1
Selling Utility
Depreciation Prioritization Rating Descriptions
(see engineer's report "*assessment methodology*" section for more details, if needed)

Description	Prioritization Rating
Effective life exceeded and/or excessive maintenance cost incurred. A high risk of breakdown or imminent failure with serious impact on performance. No additional life expectancy, immediate replacement or rehabilitation needed. Asset is highly critical to infrastructure of system and in providing safe drinking water and maintaining compliance.	1
Very near end of physical life. Substantial ongoing maintenance with short, recurrent maintenance levels required to keep the asset operational. Unplanned corrective maintenance is common. Renewal (refurbishment or replacement) is expected within the next year or two.	2
Asset functions but requires a sustained high level of maintenance to remain operational. Shows substantial wear and is likely to cause significant performance deterioration. Renewal (refurbishment or replacement) is expected within the next two to three years.	3
Asset is sound and well-maintained but may be showing some signs of wear. Delivers full efficiency with little or no performance deterioration. Virtually all maintenance is planned and preventive. At worst, only minor repair might be needed at this time.	4
Asset is like new, fully operable, and well-maintained, and performs consistently at or above current standards. Little wear shown and no further action required.	5

6.3.4 Replacement Cost New Less Depreciation ("RCNLD")

The results of RCNLD is presented in Exhibit 1-A. Replacement Cost New ("RCN") is the cost to construct assets having similar amenities to the subject property, taking into account changes in technology, regulations, and economic efficiencies. Except for site values, the RCN values for each property classification is shown in column (d) of Exhibit 1-A, these are cost estimates provided by the Engineer(s) at MRB. Based on materials and labor costs including allowances or costs for mobilization, site preparation, and contingency, the Engineer estimated the Replacement Cost New in their report which was the basis for appraiser's opinion on value.