AUSLEY McMULLEN

Attorneys and Counselors at Law
123 South Calhoun Street
P.O. Box 391 32302
Tallahassee, FL 32301

P: (850) 224-9115
F: (850) 222-7560

ausley.com

February 27, 2026

VIA ELECTRONIC FILING

Mr. Adam J. Teitzman, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: New Docket No. 2026______
Petition to Establish Rate Base Value of Acquired System Using Alternative Procedure by Sunshine Water Services Company

Dear Mr. Teitzman:

Attached for filing on behalf of Sunshine Water Services Company is the Direct Testimony of Diana Ling and Exhibit No. DL-1.

Thank you for your assistance with this matter.

(Document 5 of 8)

Sincerely,

J. Jeffry Wahlen

JJW/dk
Attachments

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

DIANA LING

Q. Please state your name, address, occupation and employer.

A. My name is Diana Ling, CVA. My business address is 227 West Trade Street, Suite 1400, Charlotte, North Carolina 28202. I am employed by Raftelis Financial Consultants, Inc. as a Senior Consultant.

Q. Please describe your duties and responsibilities in that position.

A. I evaluate and appraise utilities for the purpose of utility acquisitions within the water, wastewater, energy, and solid waste sectors. These valuations are provided for the purposes of purchase and sales transactions and conform with the Professional Standards of the National Association of Certified Valuators and Analysts ("NACVA").

Q. Please provide a brief outline of your educational background and business experience.

A. I received my Bachelor of Arts in Economics and International Affairs from Florida State University in 2016 and received my Master of Arts in Applied Economics from Florida State University in 2017. I joined Raftelis Financial Consultants, Inc. in 2021 as a Consultant before becoming a Senior Consultant in 2023. Prior to this role, I was a Senior Project Manager at Enterprise Florida and joined that organization in 2017 as an Associate.

Q. What professional licenses or designations do you hold?

A. I am a Certified Valuation Analyst ("CVA") certified through NACVA. My CVA number is 1029547. I also hold a professional membership with NACVA.

Q. Are you a "Licensed Appraiser" as defined in Rule 25-30.0372(1), Florida Administrative Code?

A. Yes. I am certified as a CVA by NACVA, which designates me as a "Licensed Appraiser" as defined in the Florida Administrative Code. I am in good standing with the NACVA.

Q. Have you been disciplined by any state licensing agency or professional organization for your work as an appraiser?

A. No.

Q. What is the purpose of your prepared direct testimony in this proceeding?

A. The purpose of my direct testimony is to present the appraisal that I prepared of the Placid Lakes utility system ("Placid Lakes System") being acquired by Sunshine Water Services Company. A true and correct copy of my appraisal report, which reflects my conclusion on its value, is included as Document No. 1 of Exhibit No. DL-1, entitled "Placid Lakes Utilities, Inc. System Valuation" ("Placid Lakes Appraisal").

Q. Who retained you and your firm to conduct the Placid Lakes Appraisal?

A. Michael Cartin, Director, Corporate Development at Nexus Water Group.

Q. Which valuation methods did you use to prepare the Placid Lakes Appraisal?

A. I considered and used the cost approach, income approach, and market approach to prepare the Placid Lakes Appraisal, as outlined in Section 4 of the Placid Lakes Appraisal. Specifically, the cost approach for valuation of the subject assets was replacement cost new less depreciation method. The direct capitalization of income method was used for the income approach and the guideline public company method was used for the market approach.

Q. Did you prepare the Placid Lakes Appraisal consistent with the Uniform Standards of Professional Appraisal Practice?

A. Yes.

Q. Do you believe that you had full access to the information that would enable you to render an opinion on the value of the Placid Lakes System?

A. Yes, I was provided full access to the information.

Q. Did you receive all the records of the Placid Lakes System that you requested?

A. Yes.

Q. Did you conduct a site visit during your preparation of the Placid Lakes Appraisal?

A. Yes. My colleague and co-signer of the Placid Lakes Appraisal, Steven McDonald, CVA, conducted a site visit on June 12, 2025. The site visit photos are included in the Placid Lakes Appraisal in Appendix G: Site Visit Photos.

Q. When conducting the Placid Lakes Appraisal, did you consider the assessment of the tangible assets of the Placid Lakes System described in the prepared direct testimony of Witness Daniel Magro?

A. Yes.

Q. Did you consider the deficiencies identified in the Engineering Assessment when you prepared your appraisal, and if so, how? Did you make any specific adjustments or allowances for the deficiencies or deferred maintenance items

A. Yes, I considered the deficiencies identified in the Engineering Assessment. This was considered within the cost approach calculations. The Placid Lakes System has historically had more than normal reported non-compliance issues. With the likelihood that a portion of the identified non-compliance issues and cost to cure non-compliance are excluded from physical depreciation of the Placid Lakes System, which has already been deducted, I included an allowance for deficiencies and deferred maintenance equal to 5% or $559,000. This allowance was subtracted from the overall replacement or reproduction cost new less depreciation of the Placid Lakes System, as identified in Section 4.2 and Table 4-2 in the Placid Lakes Appraisal.

Q. Did your appraisal assess the value of the Placid Lakes System according to its intended use?

A. Yes.

Q. What value did your appraisal assign to the Placid Lakes System?

A. $6,000,000 to $7,000,000.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

EXHIBIT

OF

DIANA LING

Table of Contents

Placid Lakes Utilities, Inc.

Public Water and Wastewater System

System Valuation

FINAL REPORT / September 12, 2025

RAFTELIS

[Page intentionally blank]

RAFTELIS

September 12, 2025

Mr. Michael Cartin
Director, Corporate Development
Nexus Water Group
803.960.5405
Michael.Cartin@nexuswg.com

Subject: Placid Lakes Utilities, Inc.; Public Water and Wastewater System; Fair Market Value of Majority, Marketable Interest on June 12, 2025

Dear Mr. Cartin:

I have performed the valuation services provided in this valuation ("Valuation" or "Report"), as those terms are defined by the Uniform Standards of Professional Appraisal Practice ("USPAP") and in the Professional Standards of the National Association of Certified Valuators and Analysts ("NACVA"). This Report has been prepared in accordance with the NACVA's Professional Standards dated August 1, 2023, and USPAP dated 2024. The indication of value contained in this Report is expressed as a Conclusion of Value. This Valuation was performed for the purpose of a potential acquisition and the resulting Conclusion of Value should not be used for any other purpose or by any other party for any purpose.

Based on the valuation services performed, as described in this Report, my conclusion of the fair market value of the Placid Lakes Utilities, Inc. systems as a going concern as of June 12, 2025, is:

Six Million to Seven Million Dollars ($6,000,000 to $7,000,000)

This Conclusion of Value is for the assets described in more detail in this Report and does not include any excess real property. Further, this conclusion is subject to the representations and certification found in Appendix A and to the statement of assumptions and limiting conditions (Appendix B). There is no obligation to update this Report or my Conclusion of Value for information that comes to my attention after the date of this Report. My experience and qualifications are detailed in Appendix C.

Sincerely,

Diana Ling, CVA
Senior Consultant
CVA® # 1029547

Steven McDonald, CVA
Principal / Chief Economist
CVA® # 20639

[Page intentionally blank]

RAFTELIS

VALUATION SUMMARY

Date of Valuation:	June 12, 2025
Date of Report:	September 12, 2025
Appraisal Subject:	Placid Lakes Utilities, Inc, Water and Wastewater System
Transaction Type:	Assets (Tangible and Intangible)
Ownership Interest Valued:	Majority (sole ownership), Marketable interest
Restrictions, if any:	None identified
Purpose of Valuation:	Potential Transaction (Sale of Subject Assets)
Standard of Value:	Fair Market Value
Premise of Value:	Going concern
Type of Report:	Appraisal Report
Scope Limitations:	Does not include a Real Property Appraisal
Significant Assumptions and Limitations:	See Appendix B
Valuation Methods Considered:	Discounted Cash Flow analysis (Income); Capitalization analysis (Income); Replacement and Reproduction Cost New (Cost); Completed Transactions (Market); Public Company Guideline (Market)
Selected Valuation Method(s):	Replacement Cost New (Cost), Capitalization Analysis (Income), and Public Company Guideline (Market)
Valuation Conclusion:	$6,000,000 to $7,000,000

[Page intentionally blank]

RAFTELIS

REPORT ABBREVIATIONS

ASL	Average Service Life
CAGR	Compound Annual Growth Rate
CCF	Capitalization of Cash Flow
COVID-19	2019 Coronavirus pandemic
DCF	Discounted Cash Flow
DLOC	Discount for Lack of Control
DLOM	Discount for Lack of Marketability
EBITDA	Earnings before Interest Taxes Depreciation and Amortization
EPA	Environmental Protection Agency
FMV	Fair Market Value
FPSC	Florida Public Service Commission
FV	Fair Value
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principals
GPD	Gallons per day
GPY	Gallons per year
HBU	Highest-and-best-use
IOU	Investor-owned Utility
IRS	Internal Revenue Service
LF	Linear Feet
MGD	Million Gallons per Day
MO	Month
MOU	Municipal-owned Utility
NAICS	North American Industry Classification System
NBER	National Bureau of Economic Research
NPDES	National Pollutant Discharge Elimination System
OCN	Original Cost New
OCNLD	Original Cost New Less Depreciation
O&M	Operations and Maintenance
PP&E	Plant, property, and equipment
RCN	Replacement or Reproduction Cost New
RCNLD	Replacement or Reproduction Cost New Less Depreciation
USPAP	Uniform Standards of Professional Appraisal Practice
WAAC	Weighted Average Cost of Capital
WHO	World Health Organization
YR	Year

RAFTELIS

[Page intentionally blank]

Contents

Tables

Figures

Appendices

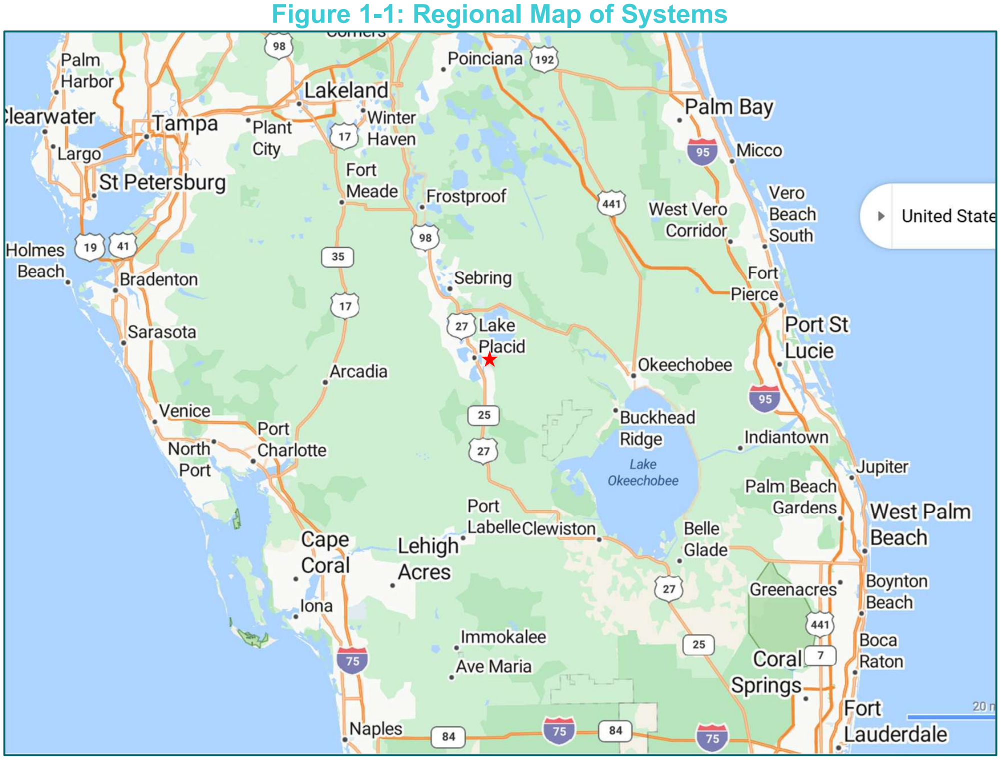
[Page intentionally blank]

1. Introduction

1.1. Subject of Valuation

The subject of this Valuation/Appraisal ("Valuation" or "Report") are a water supply, treatment, and distribution system and a wastewater collection, treatment, and disposal system ("Subject Assets" or "System"). The System is a public utility system[1] owned and operated by Placid Lakes Utilities, Inc. ("Company" or "Seller"), an active domestic business corporation established in 1970[2]. The System is generally located in the central part of south Florida ("State"), approximately 50 miles northwest of Lake Okeechobee (see Figure 1-1) ("State").

Figure 1-1: Regional Map of Systems



[1] "Utility" means a water or wastewater utility and, except as provided in s. 367.022, includes every person, lessee, trustee, or receiver owning, operating, managing, or controlling a system, or proposing construction of a system, who is providing, or proposes to provide, water or wastewater service to the public for compensation. §367.021, Florida Statutes, 2022

[2] Control No. 365392, Florida's Division of Corporations, https://search.sunbiz.org/Inquiry/CorporationSearch/SearchResults/EntityName. Accessed September 2025

The System provides services to the Placid Lakes Subdivision located approximately 2 miles west of the City of Placid Lakes ("City")

The System, including both tangible and intangible assets, are part of combined water supply, water treatment, and distribution and a wastewater, collection, treatment, and disposal system authorized to provide services to properties within their service areas, currently owned and managed by the Company. In addition, the Subject Assets are bundled with permits, operational rights, service area rights, and land rights that can be specifically identified with the operation of the System within their franchised service areas. Finally, the Subject Assets currently have sufficient demand and available ongoing revenues to create a going concern[3] at the date of the appraisal. The Subject Assets are described in more detail in Section 2.

1.2. Intended Users

This Valuation was requested by Nexus Water Group, the parent company of Sunshine Water Services, Inc. ("Client") pursuant to an engagement letter executed on May 7, 2025. This Report is intended for the exclusive use of the Client and any other designated representatives of the Client. No reproduction, publication, distribution, or other use of this Report for other than its stated purpose is authorized without prior consent of the Client and the undersigned appraiser of this Report.

1.3. Purpose and Use of this Valuation Report

This Report represents an Appraisal Report as defined by 2024 USPAP Standard 10 for the purpose of providing an opinion of the value ("Conclusion of Value" or "Opinion of Value") of the System as a business enterprise in conjunction with a potential transfer (asset transaction) involving both tangible and intangible assets. Use of the report is restricted to the intended users and this Report should not be used for any other purpose other than stated above.

1.4. Valuation Interest

The interest in the Subject Assets considered in this Valuation is a majority (sole ownership), marketable interest of the System as a business enterprise consisting of both tangible and intangible assets ("Subject Interest"). The interest in the Subject Assets does not include ownership or equity in the Company, it is specifically for the transfer of ownership of the Subject Assets. Development of a Conclusion of Value of the Subject Interest contained in this Report meets the requirements of 2024 USPAP Standard 9.

An intangible asset is generally described as an asset that lacks physical substance. Under most circumstances, a utility system is a monopoly and creates a special purpose property. A buyer for the Subject Assets would be acquiring the bundle of rights including operational rights, service area rights and other permitted rights, which reflect intangible value. More importantly, in my opinion, there is no going concern (see Section 1.8) value for the land, buildings, and equipment as a utility system or business enterprise independent of, or without the intangible rights to operate without competition and deliver an essential public use to a protected, defined service area. Without operational rights or service area rights or permitted rights, a buyer would only value buildings and equipment at liquidation or scrap and would value land as-if vacant and marketable for a

[3] An ongoing operating business enterprise. International Glossary of Business Valuation Terms (2001).

different use. The fair market value of operational rights, service area rights, and other permitted rights, however, is not contingent on the inclusion of an existing utility system in the form of land, buildings, and equipment. Based on past experience, and in my opinion, the total enterprise value in a utility system is a bundle of tangible and intangible assets and is contingent on specific operational rights, service area rights, and other permitted rights.

This Valuation was performed for the System in 'fee simple', which includes all rights (the bundle of rights, for both tangible and intangible assets) that can be legally vested in an owner, subject to encumbrances whatever they may be. This fee simple ownership includes ownership of assets, operational rights, certain service area rights, and other permitted rights, as well as other tangible assets. Fee simple ownership is the most comprehensive type of ownership since the owner may dispose of the property in any manner they select. One possessing this property has no restrictions or limitations upon ownership except those imposed by governmental entities with jurisdiction over the Subject Assets and those which were willfully created by agreement.

1.5. Ownership and Control of Subject Assets

As of the date of this Report, the Company was reported as the sole owner of the Subject Assets.

1.6. Date of Valuation

The date of valuation of the Subject Interest is June 12, 2025 ("Valuation Date"), the date of the site visit and inspection. Since the Valuation Date is an arbitrary date, for example, it is not an asset transfer date, or date of agreement, or date of taking, or settlement date, or other agreement or court date, the appraiser reserves the right, at their discretion, to consider and evaluate any additional value influencing data or other pertinent factors that might become available between the date of the Report and a stipulated actual future date or historical date, if applicable, and to make any adjustments to the Report that may be required. This Report was issued September 12, 2025 ("Report Date"). There is no obligation or responsibility to update this Report for events, circumstances, or information that becomes available subsequent to the Report Date.

1.7. Standard of Valuation

The definition of value utilized in this appraisal was Fair Market Value ("FMV"). This standard aligns with the methodology established under Section 367.0811 of the Florida Statutes for public water and wastewater utilities. Enacted in June 2023 and effective July 1, 2023, this statute introduces an alternative FMV methodology for establishing the rate base of an acquired water or wastewater utility system in an arm's-length transaction. It applies specifically to utilities that either provide water or wastewater service, or both, to more than 10,000 customers; or are permitted to produce at least three million gallons per day of drinking water.

Under Section 367.0811, the FMV of the acquired utility may be determined as either:

- The purchase price paid for the acquired utility; or
- The average of three appraisals of the utility's value, conducted by three licensed appraisers selected from a list established by the Florida Public Service Commission ("FPSC").

In the context of appraisal practice, FMV can be further defined, that is not inconsistent with the FPSC rules, but is critical in considering approaches, methods, and assumptions within this Report. Specifically, Internal Revenue Service ("IRS") Revenue Ruling ("Rev. Rul.") 59-60, 1959-1, C.B. 237, along with Treasury Regulations § 25.2512–1 and § 20.231-1 defines FMV as:

> *"The value of the property is the price at which such 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."*

IRS Rev. Rul. 59-60 further states…

> *"…in addition, that the hypothetical buyer and seller are assumed to be able, as well as being willing, to trade and to be well informed about the property and concerning the market for such property."*

FMV as defined for this Report therefore includes the following assumptions:

1. Both the buyer and seller were considered *hypothetical* parties;
2. Both buyer and seller are presumed to be dedicated to achieving their individual maximum economic advantage, but absent any compulsion to buy or sell;
3. The hypothetical buyer is prudent, implying a rational buyer, and is considered to be a "financial" and not a "strategic" buyer[4]. A financial buyer is motivated by the profit opportunity implicit in the subject on a stand-alone basis whereas a strategic buyer would potentially derive specific benefits from some component of tangible or intangible asset that no other buyer would enjoy;
4. Both parties are assumed to understand the industry and other economic conditions and their effects on the Subject Assets, as of the Valuation Date;
5. A hypothetical buyer is assumed to be an independent third party; and
6. A hypothetical sale will be for cash.

FMV is considered the appropriate standard of value because it reflects the value of the Subject Assets as if traded freely in a competitive and open market between independent parties and therefore reflects an anticipated price of a market transaction that is in the interest of both the seller and buyer. In addition, FMV in this context would specifically exclude circumstances of the known Seller or known potential Buyer that would directly affect indications of value using accepted approaches and methods.

[4] A strategic buyer in the context of FMV would be a single buyer which could be the only buyer to derive a strategic advantage from an acquisition. The "strategy" to acquire these types of systems to leverage capacity, economies of scale, management expertise, etc. that would accrue to any buyer is considered a financial motivation.

1.8. Premise of Value

The Conclusion of Value for the System as an ongoing business activity provided in this Report assumes that the Subject Assets will continue to be operated, at minimum, serving current demand representing a current and future going concern (adjective). This Conclusion of Value as a going concern assumes there is no current planned or contemplated discontinuance of service or any liquidation of the Subject Assets. Therefore, the Conclusion of Value reflects an existing and future business activity including, if applicable, real property or easement rights, personal property and equipment, financial assets, and other intangible assets.

According to USPAP[5], an appraiser must, when necessary for credible assignment results, analyze the effect on value, if any, of past results, current operations, and *future prospects* of the business enterprise, as well as the effect on value, if any, of *economic benefits* of tangible and intangible assets [emphasis added]. Generally, the appropriate consideration of future prospects and economic benefits of the Subject Assets would be expected to involve concepts of "going concern" and "goodwill" because the indication of value included in this Report is for a bundle of tangible and intangible asset value for an ongoing business activity.

According to the International Glossary of Business Valuation Terms[6], Going Concern and Goodwill are defined as follows:

> *"Going Concern – an ongoing operating business enterprise."*
>
> *"Going Concern Value – the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained workforce, an operational plant, and the necessary licenses, systems, and procedures in place."*
>
> *"Goodwill – that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified."*
>
> *"Goodwill Value – the value attributed to goodwill."*

Some confusion exists with these concepts partly because of a widespread, but erroneous, belief that the concepts are synonymous, but mostly stemming from different uses and purposes (e.g., accounting regulations, income tax liability, appraisal, etc.). Both concepts, if applicable, do create an intangible asset and it is not uncommon for factors of Going Concern Value to be included in the list of indica of Goodwill because it is often used loosely as a catch-all for intangible assets; hence the confusion. However, the U.S. Treasury provides further clarification on the distinct difference between Going Concern Value and Goodwill as it relates to the allocation of the value of acquired assets. Specifically, the Electronic Code of Federal Regulations ("e-CFR")[7] defines these concepts as follows:

---

[5] Standards Rule 9-4(b)iii and 9-4(b)vii.
[6] NACVA, June 8, 2001; This glossary has been developed to provide guidance to business valuation practitioners by further memorializing the body of knowledge that constitutes the competent and careful determination of value and, more particularly, the communication of how that value was determined. Departure from this glossary is not intended to provide a basis for civil liability and should not be presumed to create evidence that any duty has been breached.
[7] § 1.1060-1(b)(2)(ii), e-CFR

> *"Going Concern Value – is the additional value that attaches to property because of its existence as an integral part of an ongoing business activity. Going concern value includes the value attributable to the ability of a trade or business (or a part of a trade or business) to continue functioning or generating income without interruption notwithstanding a change in ownership. It also includes the value that is attributable to the immediate use or availability of an acquired trade or business, such as, for example, the use of the revenues or net earnings that otherwise would not be received during any period if the acquired trade or business were not available or operational."*
>
> *"Goodwill – is the value of a trade or business attributable to the expectancy of continued customer patronage. This expectancy may be due to the name or reputation of a trade or business or any other factor."*

This Valuation utilizes Going Concern (adjective) to describe the expectations that the Subject Assets will continue to be used as an integral part of an ongoing business activity (i.e., premise of value). Conversely, if the proposed transaction included closing or ceasing the business activity, the premise of value for the Subject Assets would be "liquidation", while the standard would remain fair market value. Therefore, the indication of FMV for the System in this Report requires the consideration of the intangible value created as an ongoing business activity (i.e., Going Concern Value).

An indication of value using a Cost approach for the Subject Assets only represents the alternative cost of installing or constructing or acquiring similar assets. The Subject Assets, however, are not idle, but are actively used to provide service within a service area to a customer base as part of an ongoing business activity. As opposed to constructing a system, a purchaser acquiring a similar existing system completely installed and operational with customers taking regular service immediately derives revenues and economic benefits from connected customers. If a purchaser were to alternatively construct, in a hypothetical situation, its own similar system of assets, it would not have the ability to generate revenues or economic benefits until some future date, including incremental marginal growth of connected customers. This creates value that is attributable to the immediate use or availability of the Subject Assets and would generally be considered Going Concern Value.

1.9. Appropriate Market and Hypothetical Willing Buyers

While there are many more not-for-profit, governmental (e.g., county, municipality, special purpose district) entities ("MOU") than for-profit, investor-owned companies ("IOU"), market activity in major markets across the country (mergers and acquisitions) among IOU water and wastewater companies is more prevalent than among MOUs. Between 2015 and 2020 there were approximately 716 acquisitions of community water and wastewater systems. Approximately 66% percent were transactions involving water systems, and the remaining 18% and 16% were for wastewater and combined water and wastewater systems, respectively. Overall, the deal sizes were mostly smaller tuck-ins made by companies like American Water and Aqua America that average approximately 2,500 customers for water systems. In addition, the majority of transactions (approximately 60%) were comprised of private companies acquiring other private companies, approximately 24% involved private companies acquiring municipal systems, 11% involved municipal agencies acquiring private company systems, and only approximately 5% involved municipal agencies acquiring systems from other municipal agencies.[8] Many of the transactions involving municipal agencies acquiring for-profit company systems were eminent domain transactions or transactions consummated under the threat of condemnation.

Therefore, the population of willing buyers for the Subject Assets are considered equally likely to represent an IOU or an MOU or other non-profit, member or consumer-owned corporation, including Homeowner's Associations ("HOA"). The willing buyers in this pool of market participants might expect to derive individual value from synergistic benefits, but those synergies and the influence they might have on value would not be recognized by all potential buyers and not included in FMV.

1.10. Highest-and-best-use

Highest-and-best-use ("HBU") was considered collectively for the Subject Interest being valued, including both tangible and intangible assets. The most appropriate market sector for the Subject Assets under the FMV standard as a going concern for this Report is based upon a hypothetical sale of the sole interest to a hypothetical, financial buyer. The requirements associated with this Valuation were to determine FMV of the Subject Interest as if it were to be sold to an independent third party, which was determined equally likely to be a not-for-profit or for-profit entity. Collectively, there is no other reasonable use for the Subject Assets other than a public utility system.

The Subject Assets as a system would be considered a special purpose property, including real property. The existing function of the Subject Assets are to supply, treat, and distribute potable water and to collect wastewater from residential and non-residential connections. Since the assets are specifically designed, configured, and constructed solely as a public water and wastewater system, no alternate highest and best use should be considered for any component of tangible or intangible asset in developing a price for a possible transaction. In addition, ownership of this special purpose property would be expected to include a bundle of rights which could include (if applicable to the Subject Assets), but not limited to, physical assets, real property, operational permits or rights, service area rights, as well as other tangible and intangible assets. As a special purpose property, there is no going concern value for land, buildings, and equipment ("PP&E") as a business enterprise independent of, or without the intangible rights and permits to provide services for a base of customers, operate without competition, and deliver an essential public purpose use to a protected, defined service area. It is assumed that with any purchase or acquisition of the Subject Assets, that those assets would continue to be substantially used for the purposes identified and they would continue to be renewed, replaced, and/or maintained for such purposes.

1.11. Scope of the Valuation and Scope of Work

This Report has been prepared in accordance with the NACVA's Professional Standards dated August 1, 2023, and USPAP dated January 1, 2024. There are no general limitations to the scope of this Report. A site visit or visual inspection of the System was conducted on June 12, 2025. Details on the scope of work performed and the research and analyses relied upon for the development of a Conclusion of Value are provided in more detail in Section 4. The scope of the assignment generally included gathering, analyzing,

[8] U.S. Private Water Utilities: Drivers, Competitive Landscape and Acquisition Trends, Bluefield Research, 2019.

and applying relevant information necessary for appropriate valuation approaches, methods, and procedures to develop a Conclusion of Value of the System, expressed as a range or as a single dollar amount and included:

- Review of existing operational and financial performance of the System;
- Review of permits, agreements, or other intangible rights;
- Compiling detailed information of the Subject Assets, such as type, quantity, size, function, etc.;
- Interview relevant parties to evaluate quantity and quality of data received;
- Completion of independent research and analysis concerning the industry and economic environment in which the Subject Assets operate;
- Application of appropriate valuation approaches, methods, and procedures to obtain an indication of value of the Subject Interest.

A listing of Assumptions and Limiting Conditions is provided in Appendix B and a Statement of Appraiser Qualifications is included in Appendix C.

1.12. Principal Sources of Information

The principal sources of information utilized for this assignment are referenced or noted throughout this Report. The Client and Company or other individuals did not deny access to any data deemed essential for this Report. Data collection for this Valuation involved a variety of public and private sources of information. Interviews with the Client and existing owner of the Utility and other analyses were used to confirm and/or cross-check the data and information provided. Comparisons of reports, and other comparisons of sources of information were diligently performed for this Valuation.

1.13. Hypothetical Conditions/Extraordinary Assumptions

The analyses required to develop an indication of value do rely on multiple values that are present today and assumed to continue to exist in the future that would be considered normal financial or operating assumptions. These normal financial or operating assumptions are generally referenced in the Report or included as metrics in the tables supporting each analysis. No assumptions were incorporated about the financial, operating, physical, legal, or economic characteristics of the property or about market trends that were subjectively intended to influence the Conclusion of Value in a positive or negative direction for the benefit of the Client or Subject Assets.

The Conclusion of Value contained in this Report did rely on several extraordinary assumptions. An extraordinary assumption presumes as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in the analysis. A listing of Assumptions and Limiting Conditions containing general extraordinary assumptions is provided in Appendix B.

The Conclusion of Value contained in this Report did rely on a specific hypothetical condition. A hypothetical condition is an assumption directly related to this appraisal assignment, which is contrary to what is known to exist on the Valuation Date but is used for the purpose of analysis. Within the Income approach, it is assumed that the pool of hypothetical willing buyers would consider the economic benefits of cost reductions from economies of scale or equivalent increases in rate revenues created from a purchase price adjustment approved by the FPSC.

1.14. Jurisdictional Exceptions

A Jurisdictional Exception is an appraisal assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP. There were no conditions for this assignment pursuant to the FPSC rules or other State laws that, in my opinion, represent Jurisdictional Exceptions.

1.15. Reliance on Specialist(s)

The development of this Report partially relied on the work or opinions of another Mr. Steven McDonald, CVA. A real property appraisal was not included as part of the scope of work. An engineering assessment report was completed by Aclus Engineering, LLC in association with CPH, LLC. dated July 7, 2025 (“Assessment Report”). Certain conceptual and technical information and opinions were provided by the existing owner of the System with respect to financial, operating, and assets.

1.16. Assumptions and Limiting Conditions

Assumptions and limiting conditions of this Report are provided in Appendix B.

1.17. Exclusions

This Valuation has excluded the following aspects of the System and those aspects are not included in the Conclusion of Value delineated herein:

a) The legal entity of Placid Lakes Utilities, Inc.;
b) Utility cash and cash equivalents and deferred assets;
c) Any excess real property;
d) Income derived from leasing activities independent of the System (e.g., cell tower leases);
e) Assumption of liabilities of the System;
f) Assets owned by other associated parties; and
g) Activities, rights, and privileges of other associated parties.

In other words, this Valuation is of the Subjects Assets as listed in Section 2 of this Report.

1.18. Lease Agreements of Subject Assets

No lease agreements for the Subject Assets were identified.

1.19. Rounding of Estimated Values

Estimates of value derived from analyses contained in this Report have inherent variation and are not intended to reflect precise calculations. Table 1-1 provides guidelines for rounding estimates contained in this Report.

Table 1-1: Rounding Estimated Values

Amount Estimated	Rounded to Nearest
$0 – 5,000	$10
$2,001 - 50,000	$100
$20,001 – 500,000	$1,000
$500,001 – 5,000,000	$10,000
$5,000,000 – 50,000,000	$100,000
Over $50,000,000	$1,000,000

1.20. Definitions

The terms used in this Report are used in the context of the definition of terms provided in USPAP and the International Glossary of Business Valuation Terms (https://www.nacva.com/glossary). Common abbreviations are provided at the beginning of this document.

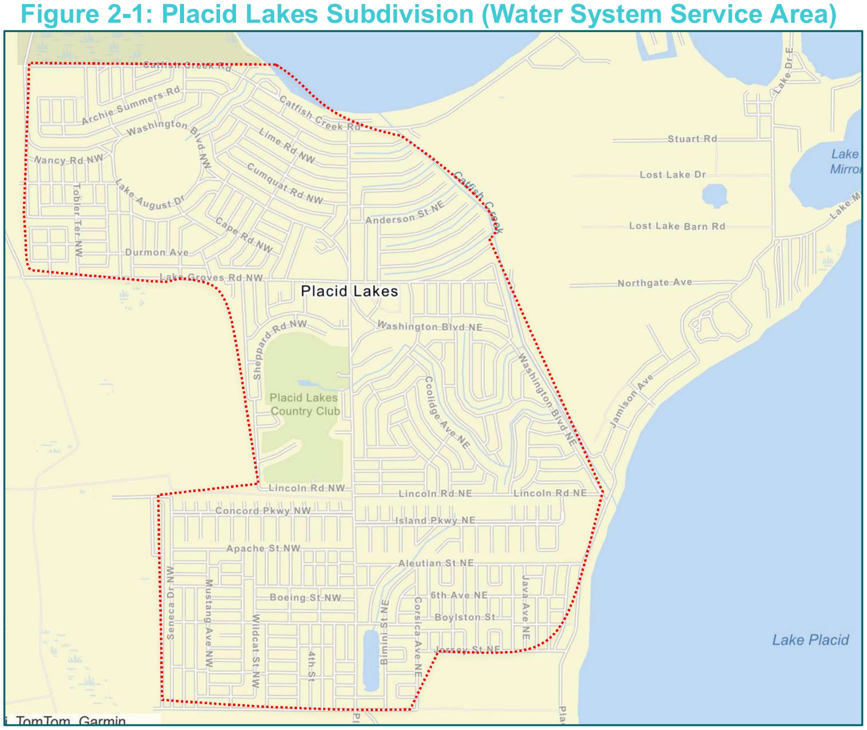
[Remainder of page intentionally blank]

2. Subject Assets

2.1. General Description of the Existing System

The System is a public utility system owned and operated by the Company, established in October 1971 in Highland County, Florida. The water system[9] provides service to the Placid Lakes Subdivision, which is 2,300 residential customers with a small number of commercial and multifamily units.

Figure 2-1: Placid Lakes Subdivision (Water System Service Area)



Source: https://www.arcgis.com/apps/View/

The water system consists of three (3) groundwater wells, two ground storage tanks, treatment, and distribution. The raw water is injected with chemicals, flows through a series of tray aerators, and settles within the ground storage tanks. It then flows through hydropneumatic tanks to maintain pressure as it enters the water mains ranging from 2inch to 14inch in diameter. System-wide consumption is approximately 0.26 MGD, with a 1.1% annual increase for the last ten years.

The wastewater system [10] services only a condominium, a club house, a restaurant and commercial units. The treatment process is a packaged-type concrete WWTF, that processed the influent through aeration, clarifier,

[9] PWS ID: 6280223
[10] WWTF Permit No.: FLA014350

chlorine disinfection and a Rapid Infiltration Basin (RIB) for effluent disposal. The collection system consists of two lift stations and 15 manholes.

2.2. Customer Base and Demand

The System currently provides potable water to 2,338 connections and wastewater treatment services a limited number of customers. The System's water connections were estimated to consume approximately 96,000,000 gallons or approximately 0.26 million gallons per day ("MGD") of potable water in 2024 (see Appendix E, Table E-1). This volume of delivered water represents an estimated 3,500 gallons of consumption per month per connection. Wastewater treatment and influent data are limited, as the System is not included within the Company's annual report, as submitted to the FPSC.

2.3. System Asset Details

The water-related Subject Assets are generally described in Table 2-1 (see Appendix D).

Table 2-1: Tangible Water System Assets

Asset Component	Qty	Units
System SCADA	1	EA
Ground Storage (2 count)	300,000	Gal
Hydropneumatic Tank (2 count)	10,800	Gal
Groundwater Wells (8 inch (2), 10 inch (1))	3	EA
Water Treatment Equipment	3	EA
High Service Pumps	3	EA
Hydrant	51	EA
Pumping and Other Equipment	1,164	EA
Meters and Services	2,300	EA
Water Main 2 "	889	LF
Water Main 3 "	84,822	LF
Water Main 4 "	133,228	LF
Water Main 6 "	85,476	EA
Water Main 8 "	16,972	EA
Water Main 10 "	4,018	EA
Water Main 12 "	1,638	EA
Water Main 14 "	1,177	EA
Building	1,000	FT
Fence	650	FT

Source: Water and Wastewater Treatment Facilities Assessment Report Dated July 7, 2025

The water-related system is approximately 50 years old, with majority of the assets were installed in the 1980s.

The wastewater-related Subject Assets are generally described in Table 2-2 (see Appendix D).

Table 2-2: Tangible Wastewater System Assets

Asset Component	Qty	Units
Tank	5,000	Gal
Rapid Infiltration Basin	1	EA
Diffuser	5	EA
Blower	1	EA
Other Treatment Equipment	3	EA
Structure	1	EA
Fence	900	FT
Manhole	15	EA
Collection Main 3 "	957	LF
Collection Main 6 "	1,045	LF
Collection Main 8 "	2,006	LF
Lift Station	2	LF
Pump	4	LF
Electrical	2	LF

Source: Water and Wastewater Treatment Facilities Assessment Report Dated July 7, 2025

The wastewater-related system has a permitted capacity of 0.015 MGD. Based on reported installation, construction, and acquisition dates provided in Company financial documents, the wastewater-related system assets have primarily been installed in the 1980s, similar to the water system.

2.4. Utility Real Property

The Company is listed as the owner of five (5) parcels in Highland County totaling approximately 7.08 acres (see Table 2-3 and Appendix F).

Table 2-3: System Real Property

PID	System/ Use	Deed Date	Land Value	Acres
C-14-37-29-090-00C0-0030	Wastewater System	8/2017	$10,000	0.93
C-14-37-29-120-00G0-0020	Water System	8/1983	42,039	0.42
C-14-37-29-090-00C0-0040	Wastewater System	9/2022	57,300	5.73
C-14-37-29-120-00F0-0000	Water System	7/2025	10,000	N/A
C-14-37-29-120-00H0-0000	Water System	7/2025	10,000	N/A
		TOTAL	**$129,339**	**7.08**

Source: Highland County;

The System may have other assets located on real property owned by a third party that are not listed as fee simple property owned by the Company. It is assumed that any rights to assets on property owned by other than the Company will be transferred, including easement or right-of-way agreements, whether provided within the covenants of the Placid Lakes Subdivision or by other agreement.

2.5. Form of Organization of Owner

The Company is an active, domestic business corporation registered in the State in 1970. Ms. Laura Elowsky is currently listed as President of the Company.

2.6. Restrictions on Sale of Subject Interest

The System is regulated by the FPSC and any sale, assignment, pledge, or transfer, or change in control through stock transfer, or rights leased, or merger or combination made through stock purchase requires an application to and written approval by the FPSC. No other restrictions on the sale of the Subject Assets were identified by the Company.

2.7. Prior Related Ownership Transactions

No previous transactions of the Subject Assets were identified.

2.8. Competition

A FPSC obligates a public utility to provide continuous and adequate service to anyone requesting service and the System has exclusive rights to provide water and wastewater services within its service area. This special purpose property therefore is currently faced with no direct competition.

2.9. Impact of COVID-19

In March 2020, the World Health Organization ("WHO") declared the disease first detected in 2019 caused by the novel strain of coronavirus ("COVID-19") a pandemic. The impact of COVID-19, from a social and economic perspective, was severe and reached every population around the world. As of the date of this Report, efforts to mitigate the future potential of an event similar to COVID-19 have progressed significantly with a majority of the adult U.S. population receiving a vaccine, including multiple vaccine boosters, which have largely mitigated the severity of health impacts. However, a general consensus among health experts continues to indicate that the ease with which COVID-19 is transmitted, the emergence of new variants of COVID-19 both globally and domestically, and unequal access to vaccines in large parts of the world will likely result in COVID-19 shifting from a pandemic disease to an endemic one. An endemic disease remains persistently present but is generally manageable from a health perspective (e.g., seasonal flu virus).

The analyses contained in this Report are therefore based on an assumption of a COVID-19 type endemic existing today and in the future. Under this scenario, the presence of a COVID-19 or other variant endemic is not expected to create additional severe social and economic restrictions in the U.S. similar to the events responsible for the recession in 2020 ("Great Lockdown"). Effective vaccinations available to the entire population in the U.S. are expected to continue and certain market trends accelerated during the COVID-19 pandemic are expected to remain, such as in-store pickup, contactless delivery, and remote work arrangements, which will continue to mitigate the potential for future impacts of a COVID-19 or other variant as experienced in 2020. The proactive response within many consumer industries (e.g., retail, entertainment, food and beverage), including both operational and financial, are expected to continue to mitigate any potential severe impacts.

Even with a COVID-19 or other variant endemic remaining in the future, there is a reasonable expectation that social and economic functions will remain “normal”, with the possible exception of a continued presence of voluntary masks in public and certain operational and capacity modifications remaining permanent in some industries. All of which would not be expected to disrupt ongoing business, holding everything else constant. “Normal” activity implies that COVID-19 or other variant would be a manageable health issue such as seasonal flu. However, the expected performance of national, state, and local economies would be materially impacted in the event of a future recurrence of the severe social and economic restrictions that occurred in 2020.

[Remaining page intentionally blank]

[Page intentionally blank]

3. Market and Economic Overview

3.1. Current National Economic Situation

In February 2020, the U.S. Economy ended its longest period of expansion since 1945, a consequence of the global response to the COVID-19 pandemic ("Great Lockdown"). The breadth and depth of the Great Lockdown was obvious - the worst economic downturn in employment and production since the Great Depression. Between March and April 2020, the U.S. economy lost nearly 23,000,000 non-farm payroll jobs, and national unemployment rates approached 15%. However, this recession was also the shortest in history, lasting only two months, and the U.S. economy officially began recovering in May 2020.

While the economy grew between 2021 and 2023, a few factors continued to represent a drag on the economic outlook in the short run, including the impacts of historic inflation, major disruptions in global trade and domestic supply chain capacity, constraints on fiscal spending and stimulus, and rising income inequity. While many households welcomed government stimulus programs, the U.S. has added more than $11 trillion in debt since 2016, pushing the national debt burden to over $35 trillion in 2024. This Federal stimulus was a significant reason the economy rebounded so quickly in 2020.

Some of the fallout of the COVID-19 induced recession can be viewed as positive. The economic response to the Great Lockdown has simply accelerated several market trends that existed pre-COVID-19, many of which created stronger productivity gains (e.g., online retail, remote workforce) in 2021 and 2022. Despite the headwinds, the U.S. economy remained fundamentally strong after the Great Lockdown through all of 2023. At the end of 2023, household and business income-to-debt balances were in relatively good shape, and consumers were sitting on a lot of accumulated savings. As well, Gross Domestic Product ("GDP") reached pre-pandemic levels, even though employment levels lagged immediately following the Great Lockdown. While labor shortages are not good, the strong growth in productivity (output per worker) was a very positive sign. Finally, the passage of the bipartisan infrastructure agreement supported the economy in the short term and would be expected to foster even greater productivity growth in the long run.

Of notable concern beginning in 2021, however, was the rapid spike in prices, which continued in the first half of the year as a result of specific impacts from the COVID-19 induced recession, supply chain constraints, and energy process impacted by the situation in Ukraine. For the full year of 2022 and 2023, the consumer price index remained at a 40-year high, ending the year at 8% and 4% year-over-year growth, respectively. But, the blistering annual growth rate of GDP (real) continued after the Great Lockdown, finishing 2021 at 5.8% growth rate, before settling down to a normal 2%-2.5% annual rate. The majority of this growth was fueled by consumer demand from pandemic related savings and fiscal stimulus and partly contributed to price pressures. Despite our ability to point to specific problems driving commodity and producer prices (e.g., domestic supply chain), demand-side growth prompted the Federal Reserve to aggressively raise interest rates in an attempt to control the robust inflation in 2022-2023 and beyond. The upper target of the Federal Funds rate was increased from 0.25% at the end of 2021 to 5.50% through August 2024 (peak). Beginning in September, the Federal Funds rate has been reduced by 100 basis points, where it has currently been held at 4.50% since December 2024.

Many economic experts considered a recession in 2023 more than a 50% probability starting the year, primarily driven by serious concerns of continued supply chain issues and the expectation of significant interest rate increases required to tame inflation. By the end of 2023 and throughout 2024 and into 2025, however, no recession materialized and the progress of the economic recovery from the recession created by COVID-19 continues into its 65th month. While some aspects could be improved, the overall economy has generally performed much better than expected. Recent notable economic news includes:

- U.S. economic output (GDP) finished 2024 stronger than expected, up 2.8% from the prior year. While growth slowed in the 1st quarter of 2024 as expected (1.4%), real GDP posted strong annualized growth rates particularly in the 2nd and 3rd quarters of 2024.
- Volatility and uncertainty created by a revised focus on trade policies, however, is responsible for slower growth than expected in the 1st quarter of 2025, with real GDP declining 0.5%. The 2nd quarter posted a relatively robust 3.3% growth rate; however, the pace of growth for the balance of the year is expected to be slower with a softening of employment.
- Payroll employment broke its streak of growth at 53 months, posting a decline of 13,000 jobs in June 2025 and has continued to post slow growth through August. In total, the U.S. economy has added more than 2.0 million jobs during 2024 and only 600,000 in the first eight (8) months of 2025.
- While inflation remains above a 2% target, consumer prices in June 2024 experienced the first significant decline since 2020 before trending up in the balance of the year. However, 2024 finished with prices up 3.0% over the prior year and have only recently begun to slow (April 2025) with lower then expected growth in GDP. Inflation remains above 2.5% over the prior year through July 2025.
- While labor participation still has room to recover, the point is that the vast majority of people looking to work are working with unemployment rates recently increasing to 4.3% (August 2025).
- Levels of consumer spending are expected to remain afloat from significant households' savings created after the Great Lockdown. Personal consumption expenditures in July 2025 were 2.1% above the prior year.
- Retail sales slowed around June 2024 but picked up in the balance of the year, finishing 2.3% above the prior year and are currently up 3.7% (July 2025). While household savings are lower heading into 2025 and higher interest rates are discouraging the use of revolving credit to some degree, credit card debt increased significantly in 2024 (up 6.8% over the prior year) and continues to increase in 2025.

There are still a few headwinds as the economy continues to grow in 2025. Regardless of positive news or the ability to find some level of positive outcomes from negative economic news, U.S. consumers remain relatively pessimistic compared with prior economy recoveries. Consumer confidence by the middle of 2024 (July) was 25% lower from the start of the recovery despite four years of consecutive growth and adding more than 28,000,000 payroll jobs (560,000 monthly average). While confidence has experienced moderate gains through 2024, in July 2025, it remains 40% below its pre-COVID-19 peak. In addition, housing demand slowed significantly in 2022 and 2023 from rising interest rates, finishing more than 3% and 8% down from the prior year, respectively. In July 2024, national single-family housing starts were down 16% from the prior year, after posting modest year-over-year gains earlier in the year and did not recover for the balance of 2024, finishing almost 4% down. Housing prices and interest rates remaining at current levels are strong contributors to the significant slowing in housing starts. Finally, the U.S. debt burden is more than $36 trillion in the 2nd quarter of 2025, and consumer revolving credit is up 46% since the end of 2020.

Concerns for a near-term U.S. economic recession has generally increased in 2025. The economy performed better than expected in 2023 and continued that trend in 2024 despite significant challenges; however, significant uncertainty as a result of stubborn inflation and a recent policy shift towards imposing significant U.S. tariffs are generating real concern. The planned, sharp increase in interest rates in 2024 has proved to provide the necessary adjustments to slow aggregate demand and employment growth and bring inflation under control in 2024, enough such that the Federal Reserve lowered rates towards the end of 2024. The Federal Reserve recently passed on additional declines in interest rates in December and expected to stay on course with the Federal Funds rate at 4.5% for the near term. The next possible decrease could come in September 2025. We have clear experiences from the 1970's and 1980's that indicate if the pressure to reduce inflation is removed too soon, the problem will come back stronger.

Real gross domestic product growth slowed only slightly to 2.8% in 2024 and is expected to slow further to 1.5% to 2.0% in 2025. Under a best-case scenario (and most likely), the economy could fend off a recession altogether in 2025 with softer growth taking pressure off inflation while maintaining modest employment gains. Under the next best-case scenario, a relatively short economic recession at the end of 2025, followed by recovery early in 2026 would be expected to slow gross domestic product for 2025 to 0.5% to 1.0%, providing an opportunity for >2.5% growth in 2026. Despite most of the positive signs heading into 2025, the main concern is how consumers feel today - the opposite of irrational exuberance. Once the full impact of Federal employment cuts begins to filter into monthly employment and unemployment reports, it is not likely to improve consumer confidence or the uncertainty around economic growth in 2025. The seemingly unplanned start-and-stop tariff programs are also not adding to confidence among consumers. In addition, this outlook for 2025 is generally contingent on sufficient continued reduction in inflation that would allow the Federal Reserve to ease interest rates by 100 to 150 basis points in 2025 and 2026. It is not likely consumers will regain post-pandemic confidence until inflation is back to "normal" in the 2% range. The expectation of increasing prices from tariffs is not going to improve this situation.

The following table provides estimated economic performance through 2025 and projection for 2026.

[Remainder of page intentionally blank]

Table 3-1: U.S. Economic Outlook

Economic Component	Actual 2023	Actual 2024	Estimate 2025	Projection 2026
Gross Domestic Product ($, bil)	27,721	29,185	30,539	**31,834**
Chain-weighted Price Deflator (2017=100)	122.3	125.2	128.5	**131.6**
Real Gross Domestic Product ($, bil)	22,671	23,305	23,771	**24,187**
Real Gross Domestic Product (% chg)	2.9	2.8	2.0	**1.8**
Industrial Production (IP) Index (2017=100)	102.9	102.6	103.6	**103.5**
IP: U.S. Oil and Gas Extraction Index (2017=100)	141.0	144.7	148.8	**150.0**
Real Disposable Personal Income ($, bil)	17,052	17,517	17,850	**18,100**
Ratio; DPI to GDP (%)	75.2	75.2	75.1	**74.8**
Real Disposable Personal Income (% chg)	5.1	2.7	1.9	**1.4**
Real Consumer Spending (% chg)	2.5	2.8	2.2	**1.8**
Retail Sales (% chg)	2.4	2.3	3.7	**2.5**
Food Service and Drinking Place Sales (% chg)	11.5	4.8	5.0	**3.5**
Federal Surplus/(Deficit) Share of GDP (%)	(6.4)	(7.0)	(5.4)	**(5.0)**
Total Debt ($, bil)	32,740	35,275	36,923	**38,514**
Total Debt Share of GDP (%)	118.1	120.9	120.9	**121.0**
Consumer Price Index (%, chg)	4.1	3.0	2.6	**2.5**
Wage and Salary Employment Cost Index (%, chg)	4.6	3.9	3.6	**3.3**
Average Monthly Employment Change (thousands)	216	168	110	**100**
Average Monthly Unemployed (thousands)	6,077	6,761	7,250	**7,500**
Unemployment rate (%)	3.6	4.0	4.3	**4.5**
Employment-to-Population (%)	60.3	60.1	59.5	**59.5**
Housing Starts, Privatey-owned (thousands)	1,421	1,371	1,395	**1,350**
U.S. Housing Prices (% chg)	5.5	5.8	4.5	**4.0**
Personal Consumption: Rental Price Index (% chg)	7.9	6.7	5.0	**3.5**
30-Year Fixed Mortgage Interest Rate (%)	6.80	6.72	6.55	**6.25**
Federal Funds Effective Rate (%)	5.02	5.14	4.15	**3.80**
Federal Funds Upper Limit (%, year-end)	5.50	4.50	4.43	**4.00**
10-year Treasury Note Yield (%)	3.96	4.21	4.30	**3.42**

Source: Actual data from U.S. Federal Reserve; Estimates and Projections provided by Raftelis; Data retrieved September 2025

Registered Municipal Advisor Disclosure

Raftelis is a Registered Municipal Advisor within the meaning as defined in Section 15B (e) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (Municipal Advisor Rule). However, except in circumstances where Raftelis expressly agrees otherwise in writing, Raftelis is not acting as a Municipal Advisor, and the opinions or views contained herein are not intended to be, and do not constitute "advice" within the meaning of the Municipal Advisor Rule.

3.2. U.S. Water Market and Sewage Treatment Market

Competitive Landscape

Demand for utility services depends on commercial and residential water needs, which are related to population growth, the level of economic activity, and efficiency of water usage. The profitability of individual companies depends on efficiency of operations because prices are fixed by public utility commissions. Large companies have economies of scale in operations and the ability to raise capital for infrastructure improvements. Small companies can compete successfully through superior engineering or by serving desirable local markets. High barriers to entry, such as capital investments, make the industry resistant to competition; many companies operate as de facto monopolies. The cost of constructing a new water and waste in an existing market is high, and regulatory approval must be secured. Utilities may face competition from industrial customers supplying their own water. Although there are many more public than private utilities, market activity (mergers and acquisitions) among private water companies is more prevalent than among government-owned utilities and takes place in major markets across the country. In 2021, there were approximately 210 utility transactions that occurred, which primarily involved acquisitions by private water and wastewater companies.[11]

Water Market Sector

The U.S. Water Supply and Irrigation industry (NAICS code 22131) is valued at nearly $100 billion and employs nearly 272,000. Establishments in this industry operate water treatment plants, water supply systems, water storage systems, and sewage treatment facilities. Industry infrastructure is overseen by specialized, licensed industry operators including treatment plants, pumping stations, aqueducts and distribution mains. While the vast majority of industry operators are government entities (public), private companies are becoming increasingly prevalent within the industry.

This industry has a low level of market concentration and a majority of water treatment, water supply, irrigation, and sewage treatment systems serve local and regional markets. However, there has been some industry consolidation in regional markets through mergers and acquisitions by large private water and wastewater companies or large diversified energy companies. The apparent motivation from consolidating local and regional water and wastewater services is to increase the scale of operations and take advantage of economies to scale to increase profitability.

Despite more efficient use of potable water, particularly within households and irrigation, population growth, droughts and other adverse weather conditions have increased demand for water supplied by industry operators. Additionally, in areas with strong population growth, economic expansion to meet consumer demand has also contributed to growth in water consumption and wastewater generation from commercial and industrial customers. Industry revenue growth has declined in 2020 as a result of COVID-19 but is expected to rebound as the economy continues to recover and create more water demand and needs for wastewater treatment.

For the industry as a whole, products and services are well-segmented, stable, and have end-user demand across all sectors of the economy. Over the long-term, demand for potable water is expected to continue to grow modestly (see Figure 3-1). Revenue and profit growth for U.S. firms in this industry are expected to experience annual growth over the next 5 years of 2.5%. From an individual firm perspective, stable demand from residential and commercial customers, expected to rebound significantly from 2020, along with a low industry concentration and relatively high barriers to entry is expected to provide a positive outlook over the next five years for existing firms with a base of current customers and protected service areas.

[11] "34% Jump in M&A Emphasizes Banner Year for Water Industry", Bluefield Research, March 28, 2022.

Wastewater Market Sector

The U.S. Sewage Treatment industry (NAICS code 22132) is valued at nearly $25 billion and employs nearly 60,000. Establishments in this industry operate wastewater treatment plants, and reclaimed water supply facilities. Industry infrastructure is overseen by specialized, licensed industry operators including treatment plants, pumping stations, and collection mains. While the vast majority of industry operators are government entities (public), private companies are becoming increasingly prevalent within the industry.

This industry has a low level of market concentration, and a majority of sewage treatment systems serve local and regional markets. However, there has been some industry consolidation in regional markets through mergers and acquisitions by large private water and wastewater companies or large diversified energy companies. The apparent motivation from consolidating local and regional water and wastewater services is to increase the scale of operations and take advantage of economies to scale to increase profitability. Additionally, in areas with strong population growth, economic expansion to meet consumer demand has also contributed to growth in wastewater generation from commercial and industrial customers and an interest in for-profit investments. Industry revenue growth has declined in 2020 as a result of COVID-19 but is expected to rebound as the economy continues to recover and create more needs for wastewater treatment.

For the industry as a whole, products and services are well-segmented, stable, and have end-user demand across all sectors of the economy. Over the long-term, need for the disposal of wastewater is expected to continue to grow modestly (see Figures 3-2). Revenue and profit growth for U.S. firms in this industry are expected to experience annual growth over the next 5 years of 2.5%. From an individual firm perspective, stable demand from residential and commercial customers, expected to rebound significantly from 2020, along with a low industry concentration and relatively high barriers to entry is expected to provide a positive outlook over the next five years for existing firms with a base of current customers and protected service areas.

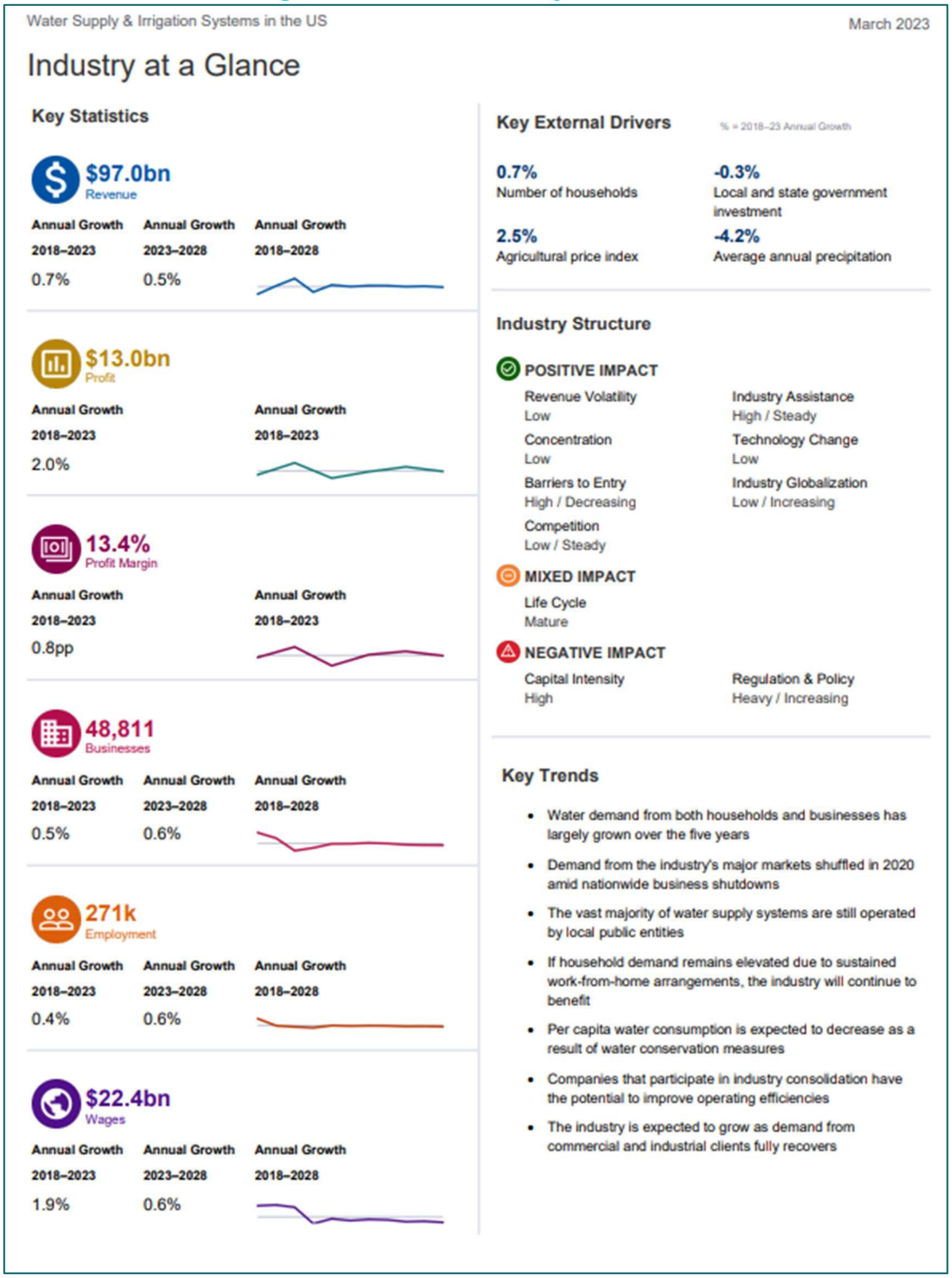
There are more than 16,000 publicly owned wastewater treatment systems of various sizes serving the majority of wastewater needs in the U.S. The remainder of the population, approximately 20%, rely on onsite wastes, such as septic tanks. An estimated 62.5 billion gallons of wastewater per day is treated at centralized WWTPs. Across all sizes of WWTPs, systems are operating at an average of 81% of their design capacity, while approximately 15% of systems are at or above that threshold.

The majority of WWTPs are designed with an average lifespan of 40 to 50 years, however, smaller onsite systems, such as septic tanks, have a shorter average lifespan of 20 to 30 years. Furthermore, nationwide, the wastewater pipes in the ground are on average 45 years old while some systems have components that are more than 100 years old. The typical lifespan expected for wastewater pipes is 50 to 100 years. As collection systems age and decline in condition, groundwater and stormwater enters the network through cracks, joints, or illicit connections as infiltration and inflow. When collection systems are overtaxed, sanitary sewer overflows can occur. Aside from these overflows, conveyance systems are also susceptible to other failures like blockages caused by consumer products.

Wastewater utilities face the challenge of meeting increasing stringent water quality regulations, funding significant infrastructure replacements, and affordably providing services. Wastewater operation and maintenance ("O&M") expenses have increased on average from 1993 to 2017 at a rate of approximately 4% annually. However, depending upon the type of WWTP and the collection system, O&M spending varies. Wastewater infrastructure funding has come from local user fees and taxes, and to a lesser extent from federal or state-specific grants or financing mechanisms. However, state and local entities bear the majority of the capital and O&M costs of wastes. In 2019, the total capital spending on water infrastructure was approximately $48 billion, while capital investment needs totaled $129 billion, creating a significant funding gap, underscoring the chronic trend of under investment in critical wastewater and water infrastructure. The growing O&M costs of wastes also significantly contribute to the wastewater sector's future funding needs.

[Remaining page intentionally blank]

Figure 3-1: Water Industry Outlook [12]



Water Supply & Irrigation Systems in the US

March 2023

Industry at a Glance

Key Statistics

$97.0bn Revenue

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
0.7%	0.5%	

$13.0bn Profit

Annual Growth 2018–2023	Annual Growth 2018–2023
2.0%	

13.4% Profit Margin

Annual Growth 2018–2023	Annual Growth 2018–2023
0.8pp	

48,811 Businesses

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
0.5%	0.6%	

271k Employment

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
0.4%	0.6%	

$22.4bn Wages

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
1.9%	0.6%	

Key External Drivers % = 2018–23 Annual Growth

0.7% Number of households

-0.3% Local and state government investment

2.5% Agricultural price index

-4.2% Average annual precipitation

Industry Structure

POSITIVE IMPACT

Revenue Volatility
Low

Concentration
Low

Barriers to Entry
High / Decreasing

Competition
Low / Steady

Industry Assistance
High / Steady

Technology Change
Low

Industry Globalization
Low / Increasing

MIXED IMPACT

Life Cycle
Mature

NEGATIVE IMPACT

Capital Intensity
High

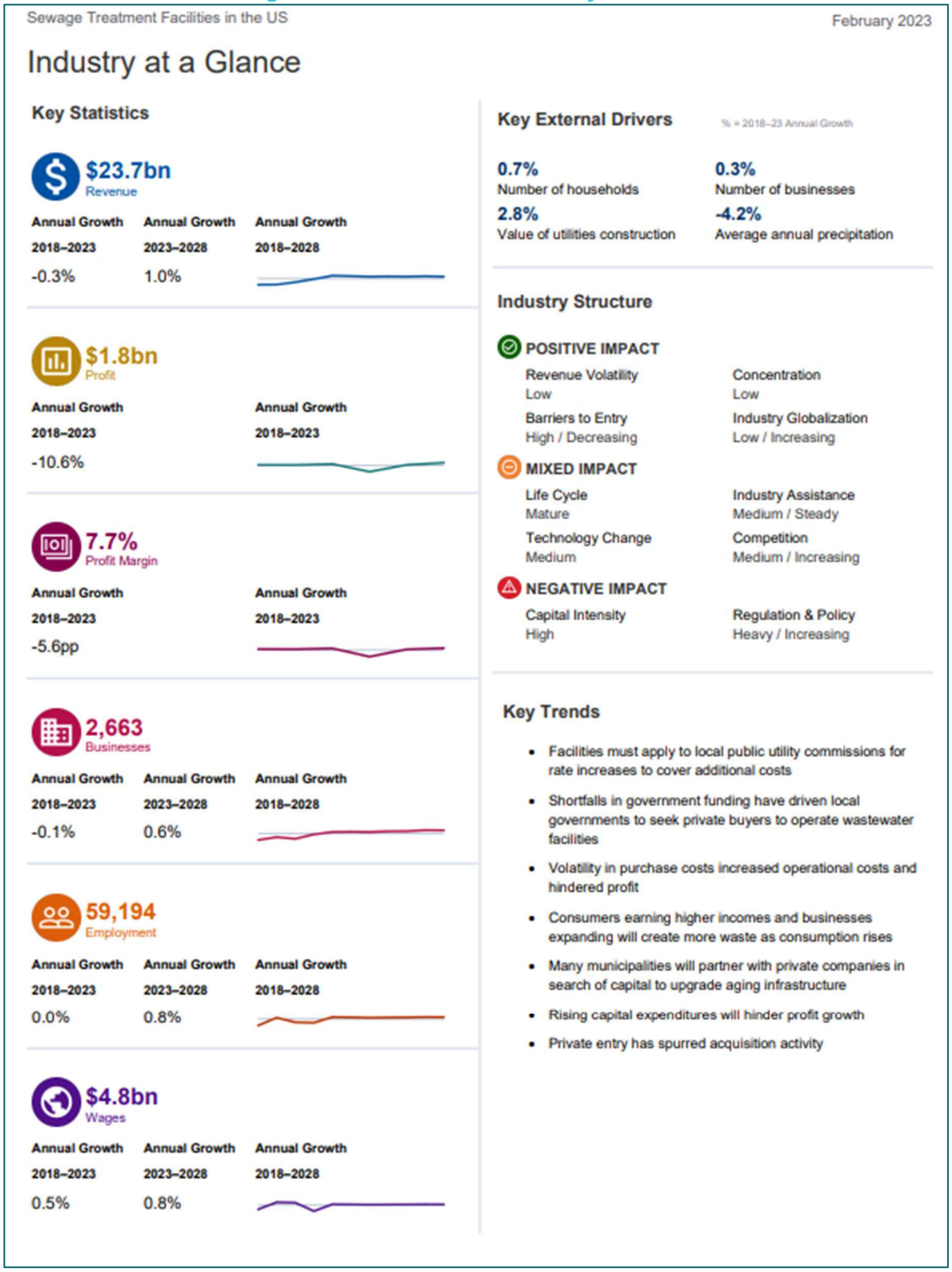
Regulation & Policy
Heavy / Increasing

Key Trends

- Water demand from both households and businesses has largely grown over the five years
- Demand from the industry's major markets shuffled in 2020 amid nationwide business shutdowns
- The vast majority of water supply systems are still operated by local public entities
- If household demand remains elevated due to sustained work-from-home arrangements, the industry will continue to benefit
- Per capita water consumption is expected to decrease as a result of water conservation measures
- Companies that participate in industry consolidation have the potential to improve operating efficiencies
- The industry is expected to grow as demand from commercial and industrial clients fully recovers

[12] IBISWorld.com, March 2023

Figure 3-2: Wastewater Industry Outlook [13]



Sewage Treatment Facilities in the US

February 2023

Industry at a Glance

Key Statistics

$23.7bn Revenue

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
-0.3%	1.0%	

$1.8bn Profit

Annual Growth 2018–2023	Annual Growth 2018–2023
-10.6%	

7.7% Profit Margin

Annual Growth 2018–2023	Annual Growth 2018–2023
-5.6pp	

2,663 Businesses

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
-0.1%	0.6%	

59,194 Employment

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
0.0%	0.8%	

$4.8bn Wages

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
0.5%	0.8%	

Key External Drivers

% = 2018–23 Annual Growth

0.7% Number of households

0.3% Number of businesses

2.8% Value of utilities construction

-4.2% Average annual precipitation

Industry Structure

POSITIVE IMPACT

- Revenue Volatility: Low
- Concentration: Low
- Barriers to Entry: High / Decreasing
- Industry Globalization: Low / Increasing

MIXED IMPACT

- Life Cycle: Mature
- Industry Assistance: Medium / Steady
- Technology Change: Medium
- Competition: Medium / Increasing

NEGATIVE IMPACT

- Capital Intensity: High
- Regulation & Policy: Heavy / Increasing

Key Trends

- Facilities must apply to local public utility commissions for rate increases to cover additional costs
- Shortfalls in government funding have driven local governments to seek private buyers to operate wastewater facilities
- Volatility in purchase costs increased operational costs and hindered profit
- Consumers earning higher incomes and businesses expanding will create more waste as consumption rises
- Many municipalities will partner with private companies in search of capital to upgrade aging infrastructure
- Rising capital expenditures will hinder profit growth
- Private entry has spurred acquisition activity

[13] IBISWorld.com, February 2023

3.3. Regulation of Water and Wastewater in Florida

The FPSC establishes rates for investor-owned, public utilities under the provisions of its Constitution[14], to ensure fairness for both the public utilities and customers (see Table 3-2).

Table 3-2: FPSC Responsibilities[15]

FPSC Regulates	FPSC Does not Regulate
• Every person, lessee, trustee, or receiver owning, operating, managing, or controlling a system who is providing, or proposes providing, water or wastewater service to the public for compensation • Rates and charges • Prescribe a uniform system of accounting • Approval of interconnections and capacity of plants • Quality of service, apart from drinking water quality • Meter examination and testing	• Systems owned, operated, managed, or controlled by governmental authorities • Nonprofit corporations • Public lodging establishments • Systems with the capacity or proposed capacity to serve 100 or fewer persons • The sale, distribution, or furnishing of bottled water • Mobile home park • Industrial pre-treatment plants

The FPSC fixes rates by establishing a rate base value under F.S. 367.0811(b). Rate base value is defined as the lesser of the negotiated purchase price or by an average of three appraisals which determine fair value in compliance with the uniform standards of professional appraisal practice, employing cost, market, and income approaches to assessment of value. Construction work in progress may not be included, however transaction and closing costs incurred by the buying utility may be included. The rate of return is then applied to establish a fair return for the utility's shareholders, maintain its facilities and services, and to compete in the market for reasonable and just capital funds. A likely hypothetical buyer could be an investor-owned utility, and the acquisition of the Subject Assets could be required to be approved by the FPSC. In this case, those factors governing the acquisition of any utility system would be considered by a hypothetical buyer and are relevant to a Conclusion of Value in this Report.

[Remaining page intentionally blank]

[14] Fla. Stat. §§ 367.021-.121 (2024).

4. Valuation of the Subject Assets

4.1. Methods Considered and Selected

An Opinion of Value for the Subject Assets was determined considering industry standard approaches and methods of valuation covering the following subjects: 1) cost approach (net assets), 2) income approach, and 3) market approach. These approaches analyze various aspects of the Subject Assets, including the expected physical conditions of the existing assets, the potential cash flows or income anticipated to be generated by the Subject Assets in the future, and financials or transactions related to the prices for the acquisition of similar assets or systems or equity in the same. None of these methods may be considered ideal on a standalone basis since each evaluates a particular facet of the Subject Assets. The consideration of all three approaches provides valuable input when considering other factors and the use of judgment and opinion in indicating FMV of the Subject Interest. The context and applicability of each method was considered in the reconciliation of a Conclusion of Value provided in Section 5.0.

4.2. Cost Approach

The methodology selected for use in the cost approach for valuation of the Subject Assets was replacement cost new less depreciation ("RCNLD"). This method is commonly utilized in the determination of value of public utilities or systems and has been an accepted method involving the acquisition of utility systems throughout the U.S. This approach and method are based on an appraisal theory of substitution and the prevailing market concept that an investor or hypothetical buyer may not consider paying more for an interest in assets than the cost to replace the same assets or system components with the same characteristics.

The replacement cost method was derived from the Water and Wastewater Treatment Facilities Assessment Report, provided by Aclus Engineers, LLC in association with CPH, LLC dated July 7, 2025, with additional adjustments and estimates made. This cost approach using replacement cost does not include the consideration of any future capital cost requirements after the Valuation Date. Therefore, the RCNLD reflects the value of tangible assets in place as of the Valuation Date.

Replacement versus Reproduction Costs

There is a difference between the reproduction cost and the replacement cost of utility assets when considering the Cost Approach. The reproduction cost method is a duplication of exactly the same facilities in the same manner as originally installed and is derived by escalating project costs from original installation values using industry standard inflation rates. This method therefore escalates all costs incurred at the time of installation, construction, or acquisition which may include restoration, overages, conflicts, etc. In contrast, the replacement cost method is the provision of facilities that would be available today with their improved efficiencies and more effective cost, utilizing commercially available materials, equipment, etc. In addition, the installation, construction, or acquisition of assets in a replacement cost analysis is assumed to be completed as one single project and obtaining the economy of scale of a larger project versus the incremental addition of assets from multiple smaller projects. The replacement cost method assumes that the most economical sequence of installation, construction, and acquisition is utilized. This means that the cost of restoration, impacts of conflicts, etc. are not included. In addition, only one (1) start up and shut down cost is included. Similarly, any premiums or overtime costs or special procurement or special mobilization or demobilization costs are not included other than for the single large economic construction project. Thus, the reproduction cost approach generally includes excess capital which an investor might not consider paying for in the existing facilities compared with a replacement cost.

Recommended Depreciation

There are three (3) components to the overall depreciation considered in the cost approach, whether utilizing a replacement or reproduction cost method. The first component of depreciation, and the first to be applied, is the physical depreciation of each asset line item using each asset's date of construction or installation[16] and an average expected lifecycle in years. Depreciation has been taken on a straight-line basis using average service lives ("ASL") for each system component or group of components.

The utilization of ASL values in any cost approach reflects expected physical depreciation on an "average" basis, meaning all system components are likely to be required to be replaced earlier or later than the exact value of an ASL. For the purpose of estimating the probable remaining replacement value considering physical depreciation, however, an approach assuming components are required to be replaced on average at the same time would result in the same value if each component's actual future date of failure is known. Therefore, the fact that some components will remain used and useful after its ASL would be balanced with components of the same asset class that need to be replaced earlier. These ASLs can be derived from prior work experience in utility system valuation, utility system design and construction, utility impact fee analyses, and utility cost of service rate analyses. This type of information can be assembled through public and private clients over many years and generally represents a proprietary source of information available to an appraiser. Based on my education, training, and experience, ASL values used in the study are reasonable.

The second consideration is the possibility of functional obsolescence or depreciation of the existing assets. Functional obsolescence is associated with the facilities themselves and is inherent to the Subject Assets, being derived from construction, configuration, operation, management, and administration inefficiencies that are not reflected in physical depreciation. For example, a poor or inefficient system design that has been newly installed would have minimal physical depreciation but could have substantive functional depreciation. These functional inefficiencies are not intentional and are generally recognized after years of operating the system. Above normal flushing requirements to maintain water quality is an example of possible functional obsolescence or depreciation. Functional obsolescence can be considered as a whole or specific to one or more aspects of the Subject Assets (e.g., significant water loss versus undersized design capacity).

The final component is external obsolescence or economic depreciation. External obsolescence accrues from all external factors impacting the Subject Assets and includes the impact of federal, state, and local regulation, customer acceptance of financial requirements or perceptions of water quality, historical rate and charge regulation, the ability to generate excess revenues sufficient to support the physical asset value or improvements to physical assets, market conditions, development conditions, and many other factors external to the system itself. Economic depreciation is generally considered for the system as a whole and likely reflects the impacts considered in the principle of contribution. In appraisal practice, the principle of

[16] The reproduction cost analysis also uses an average age or average date of installation for groups of assets.

contribution states that an asset's specific value is no more than what it (a specific asset) contributes total value, not what the asset costs to acquire or install or construct.

Site Work and Indirect Cost Components

Site work, generally including grading, site access, mobilization, demobilization, and other overhead costs are inherently included in the original cost basis of the Subject Assets and are assumed to generally reflect the addition of approximately 15% to 25%[17] of plant and equipment construction costs in the replacement cost method. These site work and indirect cost components would be expected to include improvement costs; legal costs; insurance costs and other related items; licenses, permits, and fees; technical services; and financing costs. These costs are specifically added to the replacement cost method.

Adjusted Net Assets (Replacement)

Unit cost rates were applied to specific line items of assets based on type and quantities of the Subject Assets. Table 4-1 provides a summary of the resulting current replacement costs for the System described in Section 2 (see Appendix D).

Table 4-1: Subject Assets (Replacement Cost) Method

Cost by Component	RCN	DEPR	RCNLD
Water System	$26,590,220	$15,686,105	$10,904,115
Wastewater System	804,095	529,216	$274,879
TOTAL	**$27,394,315**	**$16,215,321**	**$11,178,994**

Sources: Water and Wastewater Treatment Facilities Assessment Report Dated July 7, 2025 and Raftelis

The estimated new replacement cost value of the Subject Assets is $27,394,315 and rounds to $27,390,000. The combined systems are approximately 59% depreciated, the total physical depreciation of these assets is $16,215,321, and rounds to $16,250,000. The remaining RCNLD is $11,178,994 and rounds to $11,180,000.

Original Cost or Book Value

Based on the financial reporting, original construction, installation, and acquisition costs of the tangible assets (not including land or intangible assets) of the Subject Assets were reported at $3,862,083 with accumulated depreciation totaling $2,181,525 or 56% of original costs, reflecting a net book value of $1,680,558. With significant contributions-in-aide-of-construction ("CIAC"), reported net book differs from the rate base of $827,567[18].

[17] Indirect costs from our historical research of final bid tabulations for water and wastewater systems was found to range from 15% to 25%.

[18] The rate base, sometimes referred to as invested capital, includes as a major component the original cost of plant, property, and equipment, less accumulated depreciation, used and useful in rendering service to the public.

Land

The Company is listed as owner of more than 7.08 acres of property located. A separate real property appraisal was not included in the scope of work for this Report. The fee-simple interest in real property being utilized by the Subject Assets is assumed to be transferred and included as a component of the Subject Assets with respect to the indication of value from income and market approaches. Land is added as a line-item cost in the Cost approach. The real property included in the description of the System in Section 2 is assumed used and useful or held for future use by the System in their entirety, in other words, it's assumed that they do not provide any excess real property that would have additional value to a buyer for a different HBU. However, some of the parcels may not be used for the benefit of the System.

Consumables and Inventory

The consumables and inventory, generally reflecting approximately three (3) months of spending on chemicals and other materials and supplies, was included at $69,800.

Vehicles, Tools, Equipment, and Miscellaneous Property

Additional tools, vehicles. and equipment (in the form of spare parts) were identified (Assessment Report) to be included.

Records

Drawings, reports, and other rights to documentation or information associated with the System has been included. An allowance of one percent (1.0%) of the depreciated value for the Subject Assets is estimated for this Report and equates to $13,000.

Deficiencies and Deferred

The issue of deficiencies and deferred in the context of the business valuation of a utility system is relatively subjective. For example, a typical average service life of a water transmission or water distribution line ranges between 40-75 years (actual observed useful life of water mains can exceed 75 years) depending on material and operating characteristics of a system. Assets that continue to be used long after their average service life is not an indication of "deferred" replacement or maintenance. There are many procedures and processes that can extend as well as reduce the useful life or an asset. The impact on value for the System as a result of management practices of deferring typical maintenance or operating with observed and unobserved deficiencies should be considered as a whole. A site visit and inspection of the System was performed on June 12, 2025 by Mr. Steven McDonald, CVA. The System have historically had more than normal reported non-compliance issues. With the likelihood that a portion of the identified non-compliance issues and cost to cure non-compliance are excluded from physical depreciation of the System, which has already been deducted, we have included an allowance for deficiencies and deferred maintenance equal to 5% or $559,000.

Functional Depreciation

Functional obsolescence or depreciation is associated with the specific facilities themselves and is inherent to the System itself, being derived from certain construction, configuration, operation, management, and administration. Excessive water loss or significant inflow and infiltration ("I&I"), for example, are common indications of functional obsolescence with public water systems and wastewater systems, respectively.

However, these issues could also be related to deficit or deferred maintenance and should not be double counted. Current issues that are assumed to not be corrected by normal planned or future capital expenditure requirements included in the Report or those that corrective measures are unknown, warrant consideration for a deduction for functional depreciation. Functional depreciation is not generally considered in the income or market approaches. To the degree that assets are inherently obsolete or not functioning as intended, those impacts would be reflected in those approaches. Based on the allowance related to compliance costs and other information provided in the process of data collection and due diligence, a deduction of 2% or 224,000 was applied to the RCNLD for a functional depreciation allowance.

External Depreciation

External (economic) obsolescence or depreciation accrues from all external factors impacting the System. The impact of future regulation, customer acceptance of ownership changes, historical rate and charge regulation or lack thereof, the ability to generate excess revenues sufficient to support the physical asset value or improvements to physical assets, market conditions, development conditions, and many other factors external to the System itself. External depreciation is not generally considered in the income or market approaches. To the degree that external factors are, in fact, impacting the ability to generate income or are causing an increase in operating costs, those impacts would be reflected in those approaches. An informed, hypothetical buyer is assumed to maximize their economic advantage from a potential transaction and would consider certain external factors, such as those described above, as potential risks. These risks would be reflected in an indication of value using an income approach or the prices of completed transactions.

A common measure of potential economic depreciation can be reflected in the variance between current asset replacement or reproduction costs and indications of value from an income or market approach. Again, based on the appraisal principle of contribution, an individual asset's value is no more than its contribution to total value, which may not be its current cost to construct or replace (sum of the parts does not necessarily equal the whole). The FPSC does allow a return on equity ("ROE") using a rate base that reflects FMV pursuant to FPSC rules[19]. This is generally referred to as a "fair value adjustment" or "acquisition adjustment" and could be expected to reflect a purchase price in excess of what current economic benefits support. Without guarantees for a rate of return on a purchase price that would require significant increases in rates and charges, it is expected that the market for similar assets is constrained and would not likely be considered at its full cost to reproduce or replace. An acquisition adjustment, however, could be approved to reflect a FMV at or near RCNLD. However, based on the observed transactions among other states that allow purchase price adjustments, external depreciation generally ranges between 33% to 66% of reproduction or replacement costs based on approved purchase prices. Based on the appraisal principle of substitution, the indication of value using a RCNLD generally reflects the upper limit of what a hypothetical buyer may pay, and it is likely a hypothetical buyer could consider additional external economic constraints to that value. Therefore, an allowance for economic depreciation was applied to total net RCNLD of 50% or $5,412,000.

Going Concern

The value of a business property, including a utility system, is more than the mere cost to reproduce or replace less depreciation. Going concern value is an enhancement to the physical asset value because these assets are

19

in immediately available and in use. Elements of going concern value include, but are not limited to, the time and cost of building the business, the establishment of services and customers, the exercise of managerial skill, the efficiency of the work force, and the records of the fully functioning, organized business.

Going concern value of comparable systems generally ranges from zero to fifteen (0 to 15) percent of net assets. An alternative indication of going concern could be expressed as three (3) to six (6) months of net income, reflecting the time required to fully replace or reproduce the System and begin operating as a going concern. For the purpose of this analysis, the amount of $1,115,000 (equal to roughly 8.5% of net assets and roughly equal to three (3) months pre-tax net income[20] or ("EBIT") is applied to the Subject Assets for the estimated going concern value. The adjustment to reflect a going concern value as used in the cost approach is not exclusively an estimate of the intangible value of the System.

Total RCNLD

The summary of the RCNLD with additions, deductions, and allowances is shown on Table 4-3.

Table 4-2: Total Net Assets (Cost) Method

Costs by Component		
RCNLD		$11,178,994
Land		129,000
Consumables and inventory		69,800
Tools and equipment (Vehicles and Spare Parts)		216,475
Records, Reports, Business Information, SOPs, O&M Manuals		13,000
Deficiencies and deferred (5%)		(559,000)
Functional depreciation (2%)		(224,000)
Subtotal		$10,824,269
External depreciation (50%)		(5,412,000)
Subtotal		$5,412,269
Going concern (8.5%)		1,127,000
Total Indication of Value		**$6,539,269**
	Rounded	**$6,540,000**

Source: Raftelis

[20] Including operational efficiencies in reduced fixed operating costs.

The cost analysis indicates value of the Subject Interest at $6,539,269 and rounds to $6,540,000. The value indicated by this method is on a "control" and "marketable" basis with respect to the Subject Assets. Discounts for a lack of control ("DLOC") and a lack of marketability ("DLOM") reflected in the Subject Interest of this valuation will be considered and applied in a later section.

4.3. Income Approach

The Income Approach is based on an appraisal principal of anticipation and the premise that the value of a property is the present value ("PV") of the anticipated future economic benefits of owning the property[21]. The underlying principle in this approach is that buyers invest in or acquire ownership in assets with the expectation of receiving anticipated future economic benefits. This approach is relevant when the property being valued generates or is anticipated to generate economic benefits in the form of net income, profits, or free cash flows that benefit a future owner. It is assumed (hypothetical) that future ownership of the System would include revenues generated from adopted rates and charges and provide economic benefits in the form of net income, profits, or free cash flows.

Methods of Income Approach

The income approach measures a hypothetical buyer's risk against the potential earnings of an asset or system of assets, either tangible or intangible. Two methods are typically used to provide an indication of value including 1) net income capitalization and 2) discounting future cash flow. Both methods use a formula to calculate the present value of a business enterprise based on future cash flows or profits (i.e., economic benefits). An enterprise's total value (i.e., Enterprise Value) can be defined as the sum of total equity and total long-term debt[22].

Commonly accepted measures of economic benefit that can be capitalized or measured as cash flow over time include either cash flow to equity or cash flow to invested capital. Cash flows to invested capital represent the total after-tax cash flow (Net-operating Profit After Taxes or "NOPAT") generated by the enterprise and available to the owners of the subject's invested capital: stockholders (equity) and creditors (debt). This measure of economic benefit is defined as follows[23]:

> *Net cash flows or Economic Benefit = NOPAT + depreciation and amortization + changes (positive or negative) in working capital - capital expenditures + interest on long-term debt (net of taxes)*

In its simplest form, the capitalization method basically divides expected annual cash flow at the discretion of an owner as defined above by an appropriate capitalization rate (capitalization of cash flow or "CCF"). CCF provides a relatively non-complex method to use for valuing assets based on expected cash flow available to a hypothetical buyer. A comparatively lower capitalization rate would indicate less risk associated with an investment and a comparatively higher cap rate for a property might indicate more risk. A CCF approach to

[21] Hitchner, James R. Financial Valuation: Applications and Models, 2011, 3rd Edition
[22] Corporate Finance Institute
[23] American Society of Appraisers, BV202: Introduction to Business Valuation – Income approach, ©2014

income valuation reflects an approach based on observed historical revenue and expense performance trends, adjusted to reflect expected future financial performance[24].

The discounting method works a bit differently than the capitalization method. First, the income stream as defined above is projected over some future period of time, usually measured in years. Next, the discount rate which reflects the risk of realizing this income over time is determined using generally accepted methods. In addition to the income over time, a calculation is made to estimate what the system will be worth at the end of the projection period. This end-of-period value is also known as a reversion value, or residual value, or terminal value. The summation of these discounting calculations provides an indication of present value of what the owner interest in income is worth today (discounted cash flow or "DCF"). A DCF approach reflects a specific set of conditions and assumptions into the future[25].

Neither method is more accurate. In fact, if growth of the benefiting cash flow is constant, zero, or negligible, the results of a DCF or CCF approach would be identical. When short-term and long-term growth are measurably different or annual rates of growth are expected to oscillate significantly, a DCF is capable of reflecting different growth rates annually. A capitalization approach tends to be favored in a mature, low growth or low change environment. A DCF method tends to be more favored in a high growth or change environment.

Appropriate Discount Rate – CCF and DCF

Discount rates and capitalization rates are a reflection of the relative risk and uncertainty of receiving a stream of benefits in the future. The difference between the two rates is the capitalization rate equals the discount rate less (minus) the expected growth rate of the stream of benefits. Because the economic benefits typically being measured include those available to pay back equity and debt (i.e., capital), discount rates can be closely aligned with "cost of capital" concepts, but they are not synonymous. The "cost of capital" refers to the required rate of return necessary to attract sufficient equity or debt for a specific capital investment. A discount rate is a concept of risk that is used to reflect the value of future cash flows to determine if they are greater than the cost[26] of an investment in the present. Therefore, the cost of capital is the minimum rate required for investors and creditors, where the discount rate is a rate that meets or exceeds the cost of capital[27], required to reflect future uncertainty. In other words, the market required returns on invested capital (i.e., equity and debt) generally reflect a current accepted level of anticipated risk but may not reflect the perceived uncertainty for a yet to be determined amount of invested capital.

Risk and uncertainty associated with the amount, timing, or both, of cash flows of an asset or system of assets, either tangible or intangible, are key considerations when measuring FMV because a hypothetical buyer presumed to be reasonably risk-averse would demand an adjustment to value for bearing the uncertainty inherent in potential future cash flows. An indication of FMV should include a risk premium reflecting the amount that market participants would demand as compensation for the uncertainty inherent in the cash flows. In some cases, determining the appropriate risk premium might be difficult or rely on

[24] Single-period normalized pro forma.
[25] Multi-year projected pro forma.
[26] Total cost, including overhead, profit, and contingency.
[27] Harvard Business Review: A Refresher on Cost of Capital, April 30, 2015

subjective judgement. However, the degree of difficulty or subjectivity are not sufficient reasons to exclude a risk premium.

An appropriate discount rate to be applied using the income approach was considered using both an industry standard approach of a weighted average cost of capital ("WACC") and an alternative risk assessment of the future earning potential of the System. Most importantly, because we are considering FMV of the System from the perspective of a hypothetical buyer, it is not appropriate to use a specific WACC that is unique to a specific buyer.

WACC Consideration

The overall rate of return considering WACC is comprised of long-term debt and common equity capital and the corresponding cost rates for debt and equity. The combination of the approved capital structure ratio and the appropriate cost rates of long-term and common equity generates the overall rate of return. An FPSC approved rate of return does not guarantee a utility will earn such returns; rather, the approved rate of return allows for the opportunity to produce a fair return for its shareholders, maintain its facilities and service, and compete in the marketplace for capital. Past research has indicated 8-11% returns on equity ("ROE") in the state of Florida.

The FPSC is authorized to establish annually a leverage formula to calculate a reasonable range of ROE for water and wastewater utilities[28]. In 2025, the PSC updated leverage formula is as follows: ROE = 7.17% + (1.337 ÷ Equity Ratio) and results in a range of returns of 8.51% at 100% equity to 10.51% at 40% equity[29]. Using this leverage formula, based on my experience, education, and training, it is my opinion that a reasonable WACC in the hands of a hypothetical buyer would include an equal distribution of equity and debt (50% equity and 50% debt)[30]. Using a reasonable return to equity of 9.84% determined by the FPSC leverage formula and a 6.41% rate for long-term debt[31] results in a discount rate of 8.13%.

Alternative Discount Rate Consideration

An alternative discount rate for the purpose of this Report is estimated using a build-up method and is represented by the sum of 1) a risk-free market rate of return, 2) a futures risk discounting the value of the US dollar, 3) an industry risk based on industry specific betas, and 4) a specific risk for the System itself. Table 4-5 provides a summary of the discount rate calculation.

[28] Section 367.081(4)(f), Florida Statutes
[29] FPSC docket No. 20250006-WS
[30] Actual distribution of equity and debt can vary widely among regulated and non-regulated public utility systems. It is generally accepted that a maximum debt ratio of 60% reflects a financially prudent investment.
[31] Aaa Corporate Yield plus 100 basis points (12/31/2022); St. Louis Federal Reserve Bank

Table 4-3: Calculated Discount Rate

Factor	Rate	Notes:
Risk-free rate	4.84%	30-year Treasury constant maturity yield
Futures risk	-0.10%	Difference between 10-year and 3-month Treasury constant maturity
Industry risk	3.05%	Sum of risk-free, futures, and specific multiplied by Beta of 0.47
Specific risk	1.00%	Risk specific to the Subject Assets considering multiple factors
Total	**9.54%**	

Source: U.S. Federal Reserve; NYU; Raftelis

A risk-free market rate of return is generally measured using long-term US Treasury yields on actively traded non-inflation-indexed issues adjusted to constant maturities. The yield on a 30-year Treasury constant maturity on June 12, 2025, was 4.84% and was used to reflect a risk-free market rate of return. A "futures" risk is reflected in the difference between long-term and short-term Treasury yields. The numerical difference in yields (constant maturity) between 10-year and 3-month Treasury issues was -0.10% on June 12, 2025. Industry risk is represented by the sum of the risk-free market rate of return, futures risk, and specific risk multiplied by an industry-specific Beta. A Beta value of less than 1.0 reflects low industry risk, and vice versa. As of January 2025, the Stern School of Business at New York University estimated Beta values for the Water Utility industry between 0.47 and 0.68. Finally, specific risk is an adjustment that requires significant professional judgment to capture the risk associated with, but not limited to the following factors:

a) Future financial risk of the business enterprise
b) Operational characteristics of the business enterprise
c) Key management and employee risk
d) Size premium or discount of the business enterprise
e) Market barriers or lack of service projection risk

An individual business enterprises' risk profile is unique and could change over time. Generally, specific risk of a utility system engaged in water and wastewater activities, in my opinion, would be considered in the range of 1.0% to 3.0%. As of the Valuation Date, based on my experience, education, and training, a specific risk of 1.00% was used to reflect consideration of risk specific to the water system of the Subject Assets being valued.

Selected Discount Rate

Following the effects of the Great Lockdown, there has been upward pressure on discount rates as a result of recently rising market interest rates. Beginning 2025, the risk-free rate alone has increased by roughly 380 basis points since 2020. The theory of discounting and risk would suggest that the market is reflecting higher levels of future risk and therefore would require higher rates of return for the same investment. The negative value of futures risk (i.e., an inverted yield curve) also suggests a higher probability of recession in the near-term. While a reduction of a market discount rate on the same cash flow would increase capitalized value, the inverted yield curve implies that the market expects a near-term decline in economic activity – reflecting the likelihood of lower cash flow or economic benefits on the same investment.

The upward movement in market rates would be expected to reduce an enterprises' market value, holding all else constant. However, because firms can strategically change the mix of equity and debt, it would be reasonable for WACC rates to remain constant in the short term as market interest rates continue to rise. In addition, the market for equity in water-related stock remains above COVID-19 levels while there continues to be indications companies are underperforming approved return on investment. Pursuant to the Company's rate case filed in 2018, the FPSC found that the overall rate of return that the Company was allowed to earn was 6.33%. Therefore, considering both a WACC and a build-up of potential risks and uncertainty in future cash flow and based on my experience, education, and training, a discount rate of eight percent (8.5%) was considered most appropriate for the System using general and specific market risk assumptions as of the Valuation Date. The System are expected to accommodate growth in connections, demand, or net operating income without investment in new construction and installation of water and wastewater systems or expansion of service areas and a 2% growth rate was applied. Therefore, the capitalization rate for the water systems is also six point five percent (6.5%).

Normalized Pro Forma

For purposes of this analysis, a CCF method was utilized to reflect the current value of future economic benefits. After close review of historical financials for the system, the DCF method was not selected due to the system's relatively stable and consistent revenues and expenses. However, this is not a limitation on the income approach because the results of a DCF or CCF method would be identical if growth of the benefiting cash flow is constant, zero, or negligible. In addition, the wastewater system is not regulated by the FPSC; therefore the wastewater system is incorporated within the income approach as its RCNLD.

The development of the income approach to valuation analysis using the CCF method required certain assumptions and considerations with regard to financial, economic, and operational conditions that may occur in the future. Although such assumptions and considerations are applied based on current and historical data pertaining to the System, to the extent that actual future conditions differ from those utilized herein, the results may vary from those in the analysis. The principal assumptions and considerations utilized in the income approach are summarized as follows:

a) The likely buyer would be expected to either create significant economies-of-scale in operating the System or secure additional rate increases, or some combination of both, that allows for a reasonable rate of return from the System's profitability.
b) The long-term growth rate of the System is assumed reasonable for water at 2%.
c) The System would be expected to generate normal economic benefits consistent with industry standards using selected Public Guideline Companies (see Appendix E), including significant economies of scale.
d) The appropriate discount rate for water is assumed to be 8.5%. Therefore, the appropriate capitalization rate is 6.5%.
e) The System, if sold, would be expected to continue providing service to existing customers, with all current inherent efficiencies and inefficiencies.
f) It is assumed that such average demand from existing customers will remain relatively constant and new customer growth in the future is consistent with recent historical periods.

g) Rate increases over time are expected to, at most, average equal to increases in operating and maintenance ("O&M") expenses; thereby generating constant net revenues (gross revenues less cost of goods sold).
h) Capital expenditure requirements are expected to equal approximately 100% of annual depreciation.

It has been assumed that the purchase of the System will generate economies of scale and create fixed and variable cost efficiencies. The scale economies that are achievable in the operation of public water systems could arise from different aspects of utility operations such as increased customer rates, direct reduction of operating costs, more efficient management, allocation of future system costs across a larger base of customers, access to capital at lower costs, or lower rate or return incentives versus a rate of margin incentive. Holding all else constant, the hypothetical condition of reduced fixed cost efficiencies would be expected to result in a consistent indication of value regardless of how a hypothetical buyer achieves beneficial economies of scale. For example, normalized revenues and expenses in Table 4-4 are provided on a basis of beneficial economies of scale compared with no cost efficiencies.

Table 4-4: Hypothetical Revenue and Expenses

Revenues and Expenses	
Total Revenues	$975,000
Operating Expenses	279,200
EBITDA	645,800
Depreciation	291,900
Net Operating Income (EBIT)	**$375,800**

Source: Raftelis

Based on the assumptions listed above, the System would be expected to generate annual normalized net income or earnings before interest and taxes ("EBIT") of $375,800.

Cash Flow to Invested Capital

The Income Approach is based on the premise that value of a financial resource is equal to the present value of the future cash flow and future reversionary value of the same. A widely practiced approach in business valuation is to adjust net operating profit after taxes ("NOPAT") by adding back depreciation, amortization, interest, and deducting requirements for future capital expenditures and working capital, reflected cash flow to invested capital. The resulting net cash flow represents a benefit stream available to an owner with a controlling interest (whether equity or debt) in the business enterprise and total enterprise value can be calculated using a capitalization rate which is equal to the discount rate less future growth in economic benefits. Table 4-5 provides a summary of normalized (hypothetical) annual financial performance of the System (see Appendix E).

Table 4-5: Summary of Cash Flow to Invested Capital

Net Economic Benefits	System Total
Operating Income (Table 4-4)	$375,800
less: Interest on long-term debt (1)	(85,100)
less: Income taxes	(30,900)
Net Operating Profit after Taxes (NOPAT)	**$237,900**
plus: Depreciation (Table 4-4)	291,900
less: Working Capital (2)	2,000
less: Capital Expenditures	(291,900)
plus: Interest expenses (net of taxes)	75,000
Cash Flow to Invested Capital	**$314,900**

Source: Raftelis; Notes: (1) assumes 50% of FMV funded with debt at 6.41%, (2) 12.5% of operating costs to serve the System' growth, if any.

For the purpose of this Report, operating income was normalized by adding and subtracting specific items. It is normal to add values for depreciation and amortization and deduct requirements for ongoing capital expenditures to maintain existing service. Finally, long-term debt interest payments were added to reflect the value of invested capital. These adjustments result in an expected annual net cash flow to invested capital of $314,900, rounded to $315,000 to be capitalized for the purpose of indicating enterprise value.

Capitalization of Cash Flow

Table 4-6 provides an indication of value based on a capitalization method for the Subject Assets. Applying an appropriate capitalization rate on normalized cash flow implies an enterprise value of $4,844,615. The addition of wastewater RCNLD was added to account for the system. Net economic benefits would be realized with all inherent efficiencies or inefficiencies, including those described in the allowance for functional or external depreciation. Capital expenditures used to adjust operating income are considered normal and no additional adjustment for deficiencies and deferred maintenance is required. Therefore, the capitalization of income analysis indicates a value of the Subject Interest at $3,680,000.

Table 4-6: CCF of Invested Capital

		Values
Weighted Normalized Cash Flow after adjustments		$315,000
Capitalization rate (1)		6.5%
Capitalized Equity Value		$4,844,615
(plus) Wastewater RCNLD		$275,000
Total Indication of Value	**Calculated**	**$5,119,615**
	Rounded to	**$5,120,000**

Source: Raftelis; Notes: (1) Discount rate of 8.5% with 2% growth of existing customers, average demand, or net operating income.

It is my opinion that a hypothetical buyer would not discount the indications of value using a normalized, hypothetical income method because there is a reasonable opportunity to realize some acquisition adjustment. Even if customer rates remain the same after the transfer of assets, the financial performance of the System could be used to balance other overperforming or underperforming assets. The value indicated by this method is on a "control" and "marketable" basis with respect to the net cash flow available to an owner of the Subject Assets. DLOC and a lack of marketability DLOM reflected in the Subject Interest of this valuation will be considered and applied in a later section.

4.4. Comparative Company or Sales (Market Approach)

There are two methods for the market approach that are primarily used when indicating the enterprise value of a business to include, 1.) the Completed Transactions Method and 2.) the Guideline Public Company Method. Generally, these methods are used to value both intangible and tangible assets or total enterprise value of a business based on the pricing multiples observed for similar companies that were sold (merger or acquisition) or have shares of equity traded in a public stock exchange (e.g., NYSE, NASDAQ).

The Completed Transactions Method is similar to the Guideline Public Company Method with respect to selecting a set of comparable companies as a basis of indicating a value for the Subject Assets. However, this method evaluates observed purchase prices at a specific transaction date of recent acquisitions for the set of comparable companies. Where the set of companies using the Public Company Method are publicly traded, the set of comparable companies for the Completed Transactions method can reflect both public and private companies.

The market for utility system investment and merger and acquisitions (i.e., transactions) can include a variety of circumstances that affect observed enterprise values or purchase prices. The type of ownership (e.g., municipal-owned, investor-owned) between buyer and seller is a major factor that can affect both performance and perceived market value. In appraisal practice, FMV is generally considered in the future and in the hands of the buyer, unless otherwise defined. Therefore, considering the economic motivation of the buyer in the future versus the seller in the past is an important part of applying the Guideline Public Company. A for-profit, IOU buyer will have different expectations about future value, and therefore what they are willing to pay for that value, than a not-for-profit MOU is currently performing or has performed in the past. The premise of the market method is that either observed equity prices or transaction prices in fact are a reflection of the buyer's perceived value in the future. However, when the seller, for example, is an MOU and a likely buyer is considered an IOU, applying the market method must carefully consider the different economic and individual self-interests that affect an indication of value.

The Guideline Public Company method evaluates the prices paid for publicly traded equities as the basis to determine the value of the Subject Assets. The financial data available from public sources has generally been audited by registered independent accountants and prepared according to Generally Accepted Accounting Principles ("GAAP"). As a result, the information is reliable, consistent, and independently verified. This is a significant advantage since the alternative (Completed Transactions Method) is not generally subjected to the same transparency.

The basic principle of the Guideline Public Company Method is that the prices of an individual share of stock indicates the market value of the equity when applied to all outstanding shares. Credible application of this method relies on the assumption that the selection of public companies similar to the Subject Assets. Because the multiples are based on the market's expectation of value in the equity pricing of a set of comparable companies as of the valuation date, the multiples produced are therefore indicative of the perceived fair market value and risk associated with the Subject Assets. This limits adjustments to the multiple based on economic activity, industry outlook, or regulatory factors. The market is assumed to rationally respond to these factors and therefore these issues are factored into the equity pricing.

While the set of comparable companies used in the Guideline Public Company Method differ from the Subject Assets in their respective stages of development and size, they have comparable operational models and financial risks. Current performance from an equity value perspective also reflects the economic conditions of the industries in which the Subject Assets operate. Thus, the comparative analysis to the Subject Assets is based on the performance and characteristics of the sample as a whole rather than on any individual guideline company selected.

Guideline Public Company Method (Equity Traded)

Table 4-7 provides a list of publicly traded companies operating in the Water Supply & Irrigation Systems market (NAICS 22131) as well as Sewage Treatment market (NAICS 22132). While these companies operate larger and more diverse systems and businesses, it is reasonable to assume that multiples of certain characteristics of these systems and businesses would reflect comparable financial performance for a for-profit system operating in the same market, provided they are adjusted for market size (e.g., size premium). In other words, while the scale of the business and types of products provided are not exactly comparable, it is reasonable to assume that the financial benefits for owners or investors from invested capital and debt are comparable when reduced to an adjusted multiple of revenues or sales, or assets, or accounts or earnings (i.e., EBITDA or EBIT) based on the Subject Interest being valued.

The enterprise value as a multiple of total revenue, net plant value, and connections is provided based on audited annual reports through 12/31/2024, adjusted for the Valuation Date and a size premium that averages 1.4[32] across all Public Guideline companies.

[Remainder of page intentionally blank]

[32] Unadjusted market multiples are 1.4 lower.

Table 4-7: Guideline Public Company Method Enterprise Value Multiple

Company (Symbol)	Enterprise Value Multiple per…				
	Net Utility Plant (2)	Gross Revenues	Connections	EBITDA	EBIT
Artesian Resources (ARTNA)	0.5x	3.7x	5,025x	8.5x	12.0x
Middlesex Water (MSEX)	0.9x	4.9x	6,682x	12.1x	17.7x
Global Water Resources (GWRS)	0.5x	3.7x	3,044x	8.9x	21.0x
York Water (YORW)	0.8x	6.0x	5,619x	10.8x	15.7x
SJW Group (SJW)	0.8x	3.7x	6,977x	9.7x	16.0x
California Water Service Group (CWT)	1.1x	3.9x	7,286x	10.4x	15.6x
Essential Utilities (WTRG)	1.1x	6.9x	7,738x	12.8x	19.1x
American States Water (AWR)	1.3x	3.9x	8,025x	10.2x	12.6x
American Water Works (AWK)	0.9x	5.3x	6,981x	9.9x	14.4x
Weighted Average (1)	**1.0x**	**5.5x**	**7,512x**	**11.2x**	**16.4x**

Source: Raftelis, SEC 10-K Reports; Notes: (1) Weighted by value of individual company book value, gross revenues, connections, EBITDA, or EBIT. (2) Book value.

Using the Guideline Public Company analysis (weighted average of multiple value) indicates a total enterprise value of the Subject Interest of $7,469,483 and rounds to $7,470,000 (see Table 4-10). Calculated values ranged between $1,600,000 and $17,000,000 (rounded).

Table 4-8: Guideline Public Company Indication of Enterprise Value

System Metric	Subject Assets	Value Multiple	Implied Value
Gross Revenues (1)	$975,000	5.5	$5,363,170
Connections (2)	2,300	$7,512	$17,277,863
Net Plant (Book Value) (3)	$1,680,558	1.00	$1,677,308
EBITDA (4)	$648,600	11.16	$7,239,960
EBIT (4)	$353,100	16.4	$5,789,115
Total Indicated Value		**Calculated (5)**	**$7,469,483**
		Rounded to	**$7,470,000**

Notes: (1) Estimate of normalized year, rounded. (2) 2,300 water connections. (3) Net book value from financial statements. (4) Includes reduced operating costs assumed in hypothetical condition, rounded. (5) Average, equally weighted.

It is my opinion that most of the variance in calculated values and higher values indicated using profit measures results from the diversified nature of the Public Guideline companies listed in Table 4-8. Generally, they operate a significant number of systems, creating a large base of revenues and assets. In addition, these businesses also generate other revenue and profit in addition to water and wastewater services. Finally, it is also likely that many of the acquisitions made by these companies include a purchase premium applied to asset value, resulting in a more consistent relationship with gross revenues and asset value. However, excluding for the highest and lowest values or weighting the indication of values would not materially change the indication of value. Therefore, it is my opinion that additional adjustments, whether weighting or excluding values, do not materially affect the reasonableness of this method.

Because equity ownership in publicly traded companies reflects fractional ownership, the value indicated by this method is on a minority control, marketable basis with respect to the Subject Assets. DLOC and a lack of marketability DLOM reflected in the Subject Interest of this valuation will be considered and applied in a later section.

[Remainder of page intentionally blank]

[Page intentionally blank]

5. Adjustments

5.1. Adjustments for Control

The Subject Interest of this Report is the majority, marketable interest of the Subject Assets. Minority shareholding or ownership interests that lack the ability to control a business enterprise are considered to have less value on a pro rata basis than a controlling, majority interest. The only adjustment or DLOC is warranted for the Guideline Public Company Method since the basis for the indication of value is equity shares (minority control) of those enterprises included. Generally, a control premium can range from 20% to 40% resulting in a discount for lack of control equal to $\text{DLOC} = 1 - \frac{1}{(1 + control\ premium)}$ or 16.7% to 28.6%. In my opinion, an assumed control premium of 30% is reasonable to adjust the Guideline Public Company indication of value resulting in an implied DLOC of 23% using the Guideline Public Company Method.

The balance of methodologies selected (i.e., Cost, Income, and Completed Transactions) reflect values on a controlling basis. In those analyses, net cash flow, net assets, and transfer of both tangible and intangible assets through acquisition are at the discretion of the owner and therefore reflect control of the business enterprise.

5.2. Adjustments for Lack of Marketability

Ownership of a majority or minority interest in a closely held private company or for assets in a special purpose market are not readily marketable and a DLOM may be appropriate for the determination of a Conclusion of Value of the Subject Assets. The IRS has addressed the issue of discounts for a lack of marketability in Revenue Ruling 77-287, by stating:

"Securities traded on a public market are generally worth more to investors than those that are traded on a private market."

Theoretically, the use of a discount for a lack of marketability arises from the risks associated with a potential sale of the Subject Assets. This risk can generally be categorized in the following categories[33]:

a. Uncertain time horizon to complete sale
b. Cost to prepare for and execute sale
c. Risk as to eventual sale price and future expenses
d. Non-cash and deferred transaction proceeds
e. Inability to borrow against the estimated value of assets

These categories can be viewed as the absence of a ready or existing market for the sale or purchase of the Subject Assets in contrast to publicly traded stock.

[33] Chapter 7: Valuation Discounts and Premiums. Fundamentals, Techniques, & Theory. NACVA. 1995-2012

Some common factors that have been identified as impacting marketability[34] and applicable to the Subject Assets are as follows:

Subject Company Factor	Observation (1)
Dividend-paying history	Not applicable
Dividend Yield	Not applicable
Attractiveness of subject business	Good
Attractiveness of industry	Very Good (stable industry demand and earnings)
Prospects for a sale or public offering	Very Good (current buyer has agreed to sale)
Number of identifiable buyers	Good+
Availability of access to reliable information	Good-
Management	Good
Earnings (relative to investor market)	Good-
Revenue	Good-
Financial condition	Good-
Percent of share held by insiders	100%
Percent of independent directors	None (0%)
Business risk	Moderate
Ease of transfer of assets	Good-

Notes: (1) Quality scale = Poor, Good-, Good, Good+, Very Good, Excellent

The application of a DLOM in a Valuation is relatively subjective and can range from zero (0) to forty (40) percent. There are relative degrees of marketability that depend on a number of factors (as noted above) and circumstances for each valuation engagement and applied to each value methodology considered. Based on my training, prior valuation experience, and opinion, a DLOM of 10% was determined to be appropriate for this Valuation. The Subject Assets have a documented history of income earnings and future growth potential.

5.3. Other Adjustments

Other adjustments, including the loss of key persons or thin management, were considered but not found appropriate for the Conclusion of Value.

[Remaining page intentionally blank]

[34] Discount for Lack of Marketability: Job Aid for Valuation Professionals. IRS. September 2009

6. Reconciliation of Indicated Values

An Opinion of Value for the Subject Assets was determined considering industry standard methods of valuation. These approaches analyze various aspects of the Subject Assets and even though none of these methods may be considered ideal on a standalone basis, the consideration of all three approaches provides valuable input when considering other factors and the use of judgment in indicating value of the Subject Interest. Table 6-1 provides a summary of the Conclusion of Value considering the methods of valuation utilized in this Report and applying discounts for control and marketability.

Table 6-1: Reconciliation of Methods Utilized for an Indication of FMV

Valuation Method	Approach	Value Indicated (Rounded)	DLOC (1)	DLOM (2)	Adjusted Value (rounded)
Replacement Costs	Cost	$6,540,000	0%	10%	$5,890,000
Capitalized Cash Flow (CCF)	Income	$5,120,000	0%	10%	$4,610,000
Guideline Public Company	Market	$7,470,000	23%	10%	$8,730,000

Notes: (1) The DLOC, if applicable, is applied by dividing the value indicated by 1 minus the calculated discount. (2) The DLOM, if applicable, is applied by multiplying the value indicated by 1 minus the discount indicated.

The indications of value derived in this Report are based on the scope of work as described, the nature of the Subject Assets, the Subject Interest being valued, the application of each valuation method, and my experience, education, and training. Again, none of these approaches or methods may be considered ideal on a standalone basis since each evaluates a particular facet of the Subject Assets. In addition, no single market transaction or financial metric of a single system is alone considered a reasonable indication of value of the System. The consideration of all three approaches and multiple comparable systems provides valuable input when considering other factors and the use of judgment and opinion in indicating a FMV of the Subject Interest.

In addition, in my opinion, an additional quantitative step of assigning a relative weight and mathematically combining the indications of value provided by each approach and method is not warranted. Based on the analyses contained in this Report, there is no indication that any one method provides a more precise indication of value (e.g., having more relative weight or value) from the perspective of a competitive market. In my opinion, the quality and quantity of data available for each approach and method is sufficient to indicate FMV of the System and each approach and method is relevant for the intent of this Report. It is also my opinion that a hypothetical seller and hypothetical buyer could rationally conclude that the System have a FMV that ranges between $5,000,000 and $9,000,000. The fact that a potential buyer would prefer the lower value, and the seller would prefer the higher value would be a result of individual self-interest.

[Page intentionally blank]

7. Conclusion of Value

I have performed the valuation services provided in this Valuation, as those terms are defined in the Uniform Standards of Professional Appraisal Practice and in the Professional Standards of the National Association of Certified Valuators and Analysts. This Report has been prepared in accordance with the NACVA's Professional Standards dated August 1, 2023, and USPAP dated 2024. The estimate of value contained in this Report is expressed as a Conclusion of Value. This valuation was performed for the purpose of a potential acquisition and the resulting Conclusion of Value should not be used for any other purpose or by any other party for any purpose.

Based on my analysis, as described in this Report, the Conclusion of Value of the System as a going concern as of June 12, 2025, is:

Six Million to Seven Million Dollars ($6,000,000 to $7,000,000)

This Conclusion of Value is for the Subject Assets described in more detail in this Report and does not include any excess real property. A real property appraisal was not included as a part of the scope of work for this Report. Further, these conclusions are subject to representations and certification found in Appendix A and to the Statement of Assumptions and Limiting Condition found in Appendix B. There is no obligation to update this Report or my Conclusion of Value for information that comes to my attention after the date of this Report. My experience and qualifications are detailed in Appendix C.

[Remaining page intentionally blank]

[Page intentionally blank]

APPENDIX A:

Valuation Representations and Certification

[Page intentionally blank]

Pursuant to USPAP Standards Rule 10-3

I certify that, to the best of my 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 (see Appendix B), and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present of prospective interest in the Subject Assets and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the Subject Assets within the three-year period immediately preceding acceptance of this engagement.
- I have no bias with respect to the Subject Assets or the parties involved with this engagement.
- Acceptance of this engagement was not contingent upon developing or reporting predetermined results.
- My compensation for this Report is fee-based and 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 Conclusion of Value, or the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this Appraisal.
- My analyses, opinions and conclusions were developed, and this Report has been prepared, in accordance with the NACVA's Professional Standards dated August 1, 2023, and USPAP dated 2024.
- I have not made a personal inspection of the Subject Assets.
- No work from one or more independent, outside valuation specialist was used during the Appraisal engagement or no one provided significant business and/or intangible asset appraisal assistance.

DLing

September 12, 2025

Diana Ling, CVA
Senior Consultant
CVA® # 1029547

Date

September 12, 2025

Steven McDonald, CVA
Principal/Chief Economist
CVA© #20639

Date

[Page intentionally blank]

APPENDIX B:

Assumptions and Limiting Conditions

[Page intentionally blank]

1. The Conclusion of Value contained in this Report did rely on a hypothetical condition (see Section 1).
2. All other assumptions are listed in the description of the analyses used to indicate value in the Subject Assets, some of which are extraordinary assumptions.
3. No responsibility is assumed for legal matters, nor is any opinion on the title rendered herewith. It is assumed that the title to the property is good and marketable.
4. All existing liens and encumbrances, if any, have been disregarded and it is assumed that the property is free and clear.
5. The appraiser has made no survey of the property and, unless specifically stated, assumed there are not encroachments involved.
6. The sketches and maps in this Report are included to assist the reader in visualizing the property and are not necessarily to scale or depict all items above or below ground.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in this Report.
8. It is assumed that all applicable zoning and land use regulations and restrictions have been complied with, unless non-conformity has been stated, defined, and considered in this Report.
9. It is assumed that all required permits, licenses, certificates of occupancy, consents, easements, and other legislative or administrative authority from any local, state, or national government or public entity or organization have been or can be obtained or renewed and transferred with minimal effort for any use on which the value estimate in this Report is based.
10. Proposed improvements, if any, on or off-site, as well as any repairs required, are considered for purposes of this appraisal to be completed in a good and workmanlike manner.
11. Furnishings, mobile equipment, tools, or business furniture and utility management items indicated and typically considered as part of real estate and/or major personal property items have been aggregated and valued as general plant.
12. Responsible ownership and competent management are assumed.
13. It is assumed that there are no hidden or unapparent conditions of the property, soil, or structures which would render it more or less valuable. Further, unless otherwise stated in this Report, the existence of hazardous material or any other environmental problems or conditions, which may or may not be present on the property, was not observed or disclosed. We have no knowledge of the existence of such materials or conditions on or in such close proximity that it would cause a loss in value. We, however, did not search to detect such substances or conditions. The presence of substances such as asbestos, urea formaldehyde foam insulation, radon, or other potentially hazardous materials which could have an adverse effect on the value of the property. The value estimate is predicated on the assumption that there is no such material or condition on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or knowledge required to discover them.
14. No responsibility is assumed for the absence or presence of any endangered species on this property. This appraisal assumes that there are no endangered species which would prevent, restrict, or adversely affect any transfer, development, or improvement of the Subject Assets.
15. No impact studies and/or special market, or feasibility analysis or studies have been required or made unless otherwise specified. We reserve the right to alter, amend, revise, or rescind any of the statements, findings, opinion, value estimates, or conclusions contained herein if any of these studies require it.

16. Certain data used in compiling this report was furnished from sources which we consider reliable; however, we do not guarantee the correctness of such data, although so far as possible, we have checked and/or verified the same and believe it to be accurate.
17. We have accepted as correct and reliable all information provided by the owner and owner's counsel, or the owner's agents, which was used in the preparation of this Report. All data came from sources deemed reliable, but no liability is assumed for omissions or inaccuracies that subsequently may be disclosed in any data used in the completion of the appraisal.
18. Possession of this Report, or copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by anyone except for the client without the prior written consent of the client and in any event, only in it's entirely and with proper qualification.
19. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author excepting appropriate Freedom of Information Act requests.
20. All applicable agreements, customer agreements, developer agreements or other utility-related agreements are assumed to be fully disclosed or provided and therefore have been considered as part of this Report.
21. Acceptance of, and/or use of, this Report constitutes acceptance of the above conditions and assumptions.

[Remaining page intentionally blank]

APPENDIX C:

Statement of Appraiser Qualifications

[Page intentionally blank]

Diana Ling CVA

Senior Consultant

Diana is a Certified Valuation Analyst and has contributed to valuation/ appraisal projects for the purposes of utility acquisitions within the water, wastewater, electric, and solid waste sectors. Business Valuation services have been provided for purposes of purchase and sale transactions (M&A), generally resulting in a detailed, or summary appraisal or value reports. A Business Valuation, as defined by Uniform Standards of Professional Appraisal Practice (USPAP) Standard 9, provides a specific value based on purpose and use of the appraisal or calculation. All valuation services provided conformed with the Professional Standards of the NACVA.

PROJECT LIST

Business Valuation and Appraisal

Professional experience with providing Business Valuation services has included the following[35]:

- Alabama Public Utility (Water) – Asset Transaction
- Arizona (7 systems) Utility (Water) – Asset Transaction
- California Public Utility (Solid Waste) – Asset Transaction
- California Public Utility (Water) – Asset Transaction
- California Public Utility (Water) – Asset Transaction
- Florida IOU (Water) – Asset Transaction
- Florida Public Utility (Waste-to-Energy) – Asset Transaction
- Florida Public Utility (Water and Wastewater) – Asset Transaction
- Iowa IOU (Water) – Asset Transaction
- Iowa IOU (Water) – Asset Transaction
- North Carolina IOU (Pre-Treatment Facility) – Asset Transaction
- North Carolina IOU (Sewer) – Asset Transaction
- North Carolina Public Utility (Water) – Asset Transaction
- South Carolina Public Utility (Electric) – Asset Transaction
- South Carolina Public Utility (Wastewater) – Asset Transaction
- South Carolina Public Utility (Water) – Asset Transaction
- South Carolina Public Utility (Water) – Asset Transaction
- South Carolina Public Utility (Water) – Asset Transaction
- South Carolina Utility (Water) – Asset Transaction
- Tennessee MOU (Water) – Asset Transaction
- Texas IOU (Water) – Asset Transaction
- Texas IOU (Water) – Asset Transaction

Specialties

- Financial analysis & modeling
- Financial planning, cost of service
- Bond feasibility studies
- Valuation and appraisal
- Acquisition feasibility
- Revenue sufficiency studies
- Connection/development fees
- Building fees analysis
- Street lighting assessment studies
- Economic impact analysis
- Fiscal impact analysis

Professional History

- Raftelis: Senior Consultant (2023-present); Consultant (2021-2022)
- Enterprise Florida: Senior Project Manager (2021); Project Manager (2018-2021); Associate (2017-2018)

Education

- Bachelor of Arts in Economics and International Affairs – Florida State University (2016)
- Master of Arts in Applied Economics – Florida State University (2017)

Certifications

- Certified Valuation Analyst - CVA©#1029547

Professional Memberships

- National Association of Certified Valuators and Analysts (NACVA)

[35] *Pursuant to USPAP 2020-2021 ETHICS RULE, "An appraiser must protect the confidential nature of the appraiser client relationship." Further, an appraiser must not disclose appraisal results to anyone other than the client, representatives of the client, regulatory agencies, or others authorized by law. Raftelis maintains strict confidentiality of Business Valuation/Appraisal assignments.*

- Texas CCN (Water) – Service Area Transaction
- Texas CCN (Water) – Service Area Transaction
- Texas IOU (21 systems) (Water and Wastewater) – Asset Transaction
- Virginia MOU (Water) - Asset Transaction

Financial Services Projects

- Alexandria Renew Enterprises (VA) – Wastewater revenue sufficiency study, rate design, affordability analysis
- Brevard County (FL) – FOG facility cost recovery analysis
- City of Boone (NC) – Water and wastewater rate study, system development fees
- Charlotte County Utilities (FL) – Water and wastewater financial forecast, system development fees
- City of Clermont (FL) – Water and wastewater revenue sufficiency study
- City of Crystal River (FL) – Water and wastewater revenue sufficiency study
- City of Greer (NC)- Water, wastewater, gas and electricity revenue sufficiency study
- Fort Pierce Utilities Authority (FL) – Water, wastewater, electric, gas, revenue sufficiency study, bond feasibility
- Town of Highland Beach (FL) – Financial forecast
- Hillsborough County (FL) – Residential street lighting program assessment rate study, rate design
- City of Immokalee (FL) – Water and wastewater revenue sufficiency study
- City of Inverness (FL) – Water and wastewater rate study
- City of Lake Alfred (FL) – Building fees rate study, rate design
- City of Lakeland (FL) – Water and wastewater revenue sufficiency study
- Newton County (GA) – Water and wastewater rate study
- City of Ocoee (FL) – Economic and fiscal impact study
- City of Oldsmar (FL) – Water and wastewater revenue sufficiency study
- City of Okeechobee (FL) – Water and wastewater revenue sufficiency study
- Greater Pine Island Water Association, Inc. (FL) – Water revenue sufficiency study
- City of Pompano Beach (FL) – Miscellaneous fees, capacity fees, tap fees
- City of Port Orange (FL) – Building fees rate study
- City of Sanford (FL) – Water and wastewater rate study, building fees rate study
- City of Sanibel (FL) – Water and wastewater revenue sufficiency study
- City of St. Cloud (FL)- Parks and recreational fees study
- Stafford County (VA) – Water and wastewater rate study
- City of Tampa (FL) – Bond feasibility study

[Remainder of page intentionally blank]

Steven McDonald, CVA, Chief Economist / Valuation Services, Raftelis Financial Consultants, Inc.

Mr. McDonald is an Economist, Researcher, and Strategist with nearly 30 years of experience, almost equally divided between consulting assignments and corporate roles. He specializes in quantitative and qualitative research and analysis to include Business Valuation and Appraisal (CVA©#20639), economic analyses and econometrics, cost-benefit analyses, and short- and long-term financial analyses. Over this time, Mr. McDonald has developed a high degree of technical expertise balanced with strategic management experience from high-profile, innovative projects, both domestically and internationally, focused on economic and financial issues across a broad range of industries. Altogether, corporate roles and consulting assignments, along with managing work efforts across no less than four business cycles, have provided Mr. McDonald the opportunity to develop strong expertise in the field of economics and understanding enterprise business value.

Mr. McDonald strives to maintain active participation as a member of the NACVA and is currently the President of the NACVA Florida North Chapter. In addition, he has served on the NACVA Ethics Oversight Board for three years, one of those years as Chairman. Mr. McDonald is also an Adjunct Instructor with Webster University's Orlando Campus in Economic Concepts and Managerial Economics.

Specialties:

- Business Valuation and Appraisal
- Economic Impact Analysis
- Cost-Benefit Analysis

Professional History:

- Raftelis: Chief Economist/Valuation Services (2021-present)
- GAI Consultants (2012-2021)
- The Disney Company (2008-2012)
- RERC (2004–2008)
- Burton & Associates (2002–2004)
- CHEP International (1999–2002)
- The Disney Company (1996–1999)
- Fishkind & Associates (1990–1996)

Education:

- Bachelor of Arts in Public Policy – University of Central Florida (1988)
- Master of Arts in Applied Economics
- University of Central Florida (1990)

Professional Affiliations:

- National Association of Certified Valuators and Analysts (NACVA)
- Past Chairman and member of NACVA Ethics Oversight Board (EOB)
- President, NACVA Florida North Chapter
- American Society of Appraisers, Member
- Webster University, Adjunct Instructor

Business Valuation Experience:

Business Valuation services have been provided for purposes of insurance, litigation, and purchase and sale transactions (M&A), generally resulting in a detailed, summary, or oral appraisal or value reports. A Business Valuation, as defined by Uniform Standards of Professional Appraisal Practice (USPAP) Standard 9, provides a specific value based on purpose and use of the appraisal or calculation. All valuation services provided conform with the Professional Standards of the NACVA. Professional experience with providing Business Valuation services has included the following:

- Wisconsin IOU (Natural Gas), 2024 – Asset Transaction
- Waste Disposal Company (Waste-to-Energy), 2024 – Asset Transaction
- Florida IOU (Water/Sewer), 2024 – Asset Transfer
- South Carolina Public Utility (Water/Sewer), 2024 – Asset Transaction
- Alabama Water Rights, 2024 – Lender Collateral
- Florida Public Utility (Water), 2024 – Asset Transaction
- Tennessee Public Utility (Water), 2023 – Asset Transaction
- Florida Public Utility (Waste-to-Energy), 2023 – Asset Transaction
- Florida IOU (Water), 2023 – Asset Transaction
- Florida Public Utility (Propane), 2023 – Asset Transaction
- Tennessee Public Utility (Water), 2023 – Asset Transaction
- California Public Utility (Water), 2023 – Asset Transaction
- California Public Utility (Solid Wate), 2023 – Asset Transaction
- North Carolina Public Utility (Water), 2023 – Asset Transaction
- Texas IOU (Water), 2023 – Asset Transaction
- South Carolina Public Utility (Electric), 2023 – Asset Transaction
- South Carolina Public Utility (Water), 2023 – Asset Transaction
- South Carolina Public Utility (Sewer), 2023 – Asset Transaction
- Texas IOU (Water), 2023 – Asset Transaction
- North Carolina IOU (Sewer), 2022 – Asset Transaction
- North Carolina IOU (Sewer), 2022 – Asset Transaction
- Florida Public Utility (Service Area Rights), 2022 – Asset Transaction
- Florida IOU (Water), 2022 – Asset Transaction
- Arizona (7 systems) Utility, 2022 (Water) – Asset Transaction
- South Carolina Utility, 2022 (Water) – Asset Transaction
- Virginia Public Utility, 2022 (Water and Sewer) – Divestiture
- South Carolina Public Utility, 2022 (Water) – Asset Transaction
- North Carolina Public Utility, 2022 (Water) – Asset Transaction
- Ohio Public Utility, 2022 (Water) – Asset Transaction
- South Carolina Public Utility, 2021 (Wastewater) – Asset Transaction
- Florida Public Utility, 2021 (Water) – Asset Transaction
- Florida Public Utility, 2021 (Natural Gas) – Asset Transaction
- Pennsylvania Public Utility, 2021 (Sewer) – Asset Transaction
- Texas IOU (Water), 2021 – Asset Transaction
- Florida Public Utility, 2021 (Service Area) – Litigation
- Pennsylvania Public Utility, 2021 (Sewer) – IOU Acquisition
- California Water Market, 2021 (Credits) – Asset Transaction
- Pennsylvania Public Utility, 2021 (Sewer) – IOU Acquisition
- Florida Public Utility, 2020 (Water) – Asset Transaction
- Florida Public Utility, 2020 (Water) – Foreclosure
- Florida Public Utility, 2019 (Water and Wastewater) –Business Damages
- Florida Public Utility, 2019 (Water and Wastewater) –Acquisition
- Florida Public Utility, 2018 (Chilled Water) – Acquisition
- California Private Discharge Capacity, 2018 (Wastewater) –Acquisition
- Tennessee Public Utility, 2018 (Electric) – Acquisition
- Florida IOU, 2017 (Water-Sewer) – Acquisition

- Florida IOU, 2017 (Electric) – Tangible Property Tax
- Ohio IOU, 2017 (Water) – Financing
- Florida Public Utility, 2017 (Water Storage) – Acquisition
- South Carolina Public Utility, 2016 (Water) – Acquisition
- Ohio Public Utility, 2016 (Water-Sewer) – Acquisition
- Mississippi Certificate of Public Conveyance and Necessity, 2016 (Water) – Acquisition
- Florida IOU, 2016 (Electric) – Tangible Property Tax
- Florida IOU, 2015 (Electric) – Acquisition

Economic and Fiscal Analysis Experience:

Economic Development as a concept is measured in jobs and income but most importantly reflects a community's overall quality of life that is only maintained with sufficient public (fiscal) resources to meet existing and future needs. Therefore, understanding economic and fiscal outcomes assists communities with assessing the potential benefits on concepts of an overall "quality of life" – cost-benefit, employment growth, the nature of jobs, economic welfare, community income and wealth, and public infrastructure and services. Economic and Fiscal Analyses and services have been provided for more than 30 years; experience has included the following (completed assignments):

- Virgin Islands Environmental User Fee Economic Impact Analysis, U.S. Virgin Islands
- Economic Impact of Protecting the Florida Manatee
- U.S. Rental Car Economic and Market Demand, National Car Rental
- Gulf War Economic Impact on Rental Car Industry, National Car Rental
- European Banana Economic and Market Demand, CHEP Europe
- Orlando Parks and Recreation Economic Benefits
- SED (Florida) Community Impacts
- St Lucie (Florida) Water Reclamation Facility Economic Impacts
- Rose Arts (Florida) Fiscal Impacts
- Miami New Drama Economic Impact Analysis
- Miami-Dade Pike Transit Oriented Development Economic Impact Analysis
- Economic and Fiscal Impact Analyses (continued)
- Apopka (Florida) Economic and Fiscal Analysis
- Marion County (Florida) Aquatics Center Economic and Fiscal Analysis
- Reunion Resort (Florida) Fiscal Impact Analysis
- Amelia Island (Florida) Development Economic and Fiscal Impact Analysis
- Neptune Road (Florida) Economic and Fiscal Impact Analysis
- IOC Pompano Beach (Florida) Economic Impact
- Sorrento Pines (Florida) Fiscal Impact Analysis
- New Smyrna (Florida) Beach Fiscal Analysis
- Downtown Daytona (Florida) Fiscal Impact Analysis
- Tohoqua (Florida) Fiscal Impact Analysis
- Albert Whitted (Florida) Airport Economic Benefit Analysis
- Gaylord Palms (Florida) Fiscal Impact Analysis
- North End Charlotte (North Carolina) Economic and Fiscal Impact Analysis
- Maitland West (Florida) Fiscal Impact Analysis
- River District (North Carolina) Fiscal Impact Analysis
- Florida Hospital Fiscal & Economic Analysis
- Kendall Town Center (Florida) Economic Analysis
- Miami (Florida) Icebox Café Economic Analysis
- Osceola (Florida) Fiscal Impact Analysis
- Melbourne (Florida) Economic Impact Analysis
- Kansas State University Economic Impact Analysis
- Miami-Dade (Florida) Fiscal Analysis
- CEMEX (Florida) Facility Economic Analysis
- University of Central Florida Downtown Economic Impact Analysis

- US 17-92 Flyover (Florida) Modification Economic Analysis
- Miami Uptown (Florida) Economic Analysis
- Ocean Cadillac (Florida) Economic Analysis
- Vizcaya (Florida) Economic Analysis
- Economic Impact of Spring Training Facility, New York Yankees (Florida)
- Biomedical Cluster Economic and Fiscal Impacts at Lake Nona, Tavistock (Florida)
- Economic Development Analysis, Piedmont Triad and City of Havelock (North Carolina)

[Remainder of page intentionally blank]

APPENDIX D:

Detailed Asset Listings and Costs

[Page intentionally blank]

Table D-1: Water System Replacement Cost Summary

PLACID LAKES WATER SYSTEM REPLACEMENT COST ESTIMATE

Asset Description	Quantity	Unit	Estimated Unit Cost	RCN	Depreciation	RCNLD
Water Treatment						
Wells and Pumps	6	EA	$173,333	$1,040,000	$771,444	$268,556
Storage Tank	300,000	Gallons	$3	$900,000	$461,250	$438,750
Hydropneumatic Tank	30,000	Gallons	$5	$140,000	$91,778	$48,222
Chemical Treatment	2,200	Gallons	$5	$10,000	$9,333	$667
Other Equipment	12	EA	$77,833	$934,000	$614,111	$319,889
Distribution						
Hydrant	51	EA	$6,000	$306,000	$135,514	$170,486
Pumping and Other Equipment	164	EA	$2,287	$375,000	$210,000	$165,000
Meters and Services	2,300	EA	$2,500	$5,750,000	$4,456,250	$1,293,750
Water Main 2 "	889	LF	$25	$22,225	$11,099	$11,126
Water Main 3 "	84,822	LF	$35	$2,968,770	$1,436,369	$1,532,402
Water Main 4 "	133,228	LF	$45	$5,995,260	$3,147,409	$2,847,851
Water Main 6 "	85,476	LF	$65	$5,555,940	$3,041,689	$2,514,251
Water Main 8 "	16,972	LF	$90	$1,527,480	$764,316	$763,164
Water Main 10 "	4,018	LF	$110	$441,980	$232,040	$209,941
Water Main 12 "	1,638	LF	$135	$221,130	$109,264	$111,866
Water Main 14 "	1,177	FT	$155	$182,435	$45,072	$137,363
Building	1,000	FT	$200	$200,000	$132,500	$67,500
Fence, Water	650	FT	$31	$20,000	$16,667	$3,333
Water System Total				$26,590,220	$15,686,105	$10,904,115

Table D-2: Wastewater System Replacement Cost Summary

PLACID LAKES WASTEWATER SYSTEM REPLACEMENT COST ESTIMATE						
Asset Description	**Quantity**	**Unit**	**stimated Unit Co**	**RCN**	**Depreciation**	**RCNLD**
Wastewater Treatment						
Tank	5,000	Gallons	$10	$50,000	$33,125	$16,875
Rapid Infiltration Basin	1	EA	$50,000	$50,000	$48,000	$2,000
Diffuser	5	EA	$3,000	$15,000	$14,700	$300
Blower	1	EA	$15,000	$15,000	$15,000	$0
Other Treatment Equipment	3	EA	$6,667	$20,000	$14,700	$5,300
Structure	1	EA	$10,000	$10,000	$333	$9,667
Fence, Wastewater	900	FT	$28	$25,000	$8,333	$16,667
Collection						
Manhole	15	EA	$4,500	$67,500	$47,700	$19,800
Collection Main 3 "	957	LF	$25	$23,925	$21,134	$2,791
Collection Main 6 "	1,045	LF	$50	$52,250	$39,561	$12,689
Collection Main 8 "	2,006	LF	$70	$140,420	$99,230	$41,190
Lift Station	2	LF	$137,500	$275,000	$150,000	$125,000
Pump	4	LF	$7,500	$30,000	$20,000	$10,000
Electrical	2	LF	$15,000	$30,000	$17,400	$12,600
Wastewater System Total				$804,095	$529,216	$274,879

Table D-3: Reproduction Cost Details

Asset	Year	Asset Type	Avg. Service Life	Age	Remaining Useful Life	Quantity	Units	Unit Rate	RCN	Depr %	Depr	RCNLD
Water Treatment												
8" Well No.1	1971	307	60	54	6	1	#	$250,000	$250,000	90.0%	225,000	25,000
8" Well No.1 Pump	1971	311	45	54	-9	1	#	$80,000	$80,000	100.0%	80,000	0
8" Well No.2	1979	307	60	46	14	1	#	$250,000	$250,000	76.7%	191,667	58,333
8" Well No.2 Pump	1979	311	45	46	-1	1	#	$80,000	$80,000	97.8%	78,222	1,778
10" Well No.3	1996	307	60	29	31	1	#	$300,000	$300,000	48.3%	145,000	155,000
10" Well No.3 Pump	1996	311	45	29	16	1	#	$80,000	$80,000	64.4%	51,556	28,444
Ground Storage 1 with Aerator	1972	330	80	53	27	150,000	gallons	$3.00	$450,000	66.3%	298,125	151,875
Ground Storage 2 with Aerator	1996	330	80	29	51	150,000	gallons	$3.00	$450,000	36.3%	163,125	286,875
HSP No.1 with VFD	1997	311	45	28	17	1	#	$70,000	$70,000	62.2%	43,556	26,444
HSP No.2 with VFD	1997	311	45	28	17	1	#	$70,000	$70,000	62.2%	43,556	26,444
HSP No.3 with VFD	1997	311	45	28	17	1	#	$70,000	$70,000	62.2%	43,556	26,444
Hydro-Pneumatic Tank No.1	1994	330	45	31	14	15,000	gallons	$4.67	$70,000	68.9%	48,222	21,778
Hydro-Pneumatic Tank No.2	1997	330	45	28	17	15,000	gallons	$4.67	$70,000	62.2%	43,556	26,444
Air Compressor	1972	320	45	53	-8	2	#	$8,000	$16,000	100.0%	16,000	0
Air Compressor	2000	320	45	25	20	1	#	$8,000	$8,000	55.6%	4,444	3,556
ATS	2022	339	45	3	42	1	#	$15,000	$15,000	6.7%	1,000	14,000
Generator	2003	339	30	22	8	1	#	$200,000	$200,000	73.3%	146,667	53,333
DataFlow System	2018	339	15	7	8	1	#	$50,000	$50,000	46.7%	23,333	26,667
Electrical Systems	2006	339	45	19	26	1	#	$300,000	$300,000	42.2%	126,667	173,333
Electrical Service	1972	339	Perpetual	53	0	1	#	$5,000	$5,000	0.0%	0	5,000
Hydrogen Peroxide System	2000	339	15	25	-10	2200	gallons	$4.55	$10,000	93.3%	9,333	667
Chlorine Tank	2018	339	15	7	8	1	#	$10,000	$10,000	46.7%	4,667	5,333
Chlorine Metering Pump	2000	339	15	25	-10	1	#	$5,000	$5,000	93.3%	4,667	333
Corrosion Inhibitor System	2000	339	15	25	-10	1	#	$5,000	$5,000	93.3%	4,667	333
Effluent Flowmeter	2021	331	15	4	11	1	#	$25,000	$25,000	26.7%	6,667	18,333
WTP Yard Piping	1983	304	45	42	3	1	#	$300,000	$300,000	93.3%	280,000	20,000

Table D-2: Reproduction Cost Details (continued)

Asset	Year	Asset Type	Avg. Service Life	Age	Remaining Useful Life	Quantity	Units	Unit Rate	RCN	Depr %	Depr	RCNLD
Distribution												
2" PVC Watermain	1982	331	70	43	27	564	LF	$25	$14,100	61.4%	8,661	5,439
3" PVC Watermain	1983	331	70	42	28	51,975	LF	$35	$1,819,125	60.0%	1,091,475	727,650
4" PVC Watermain	1983	331	70	42	28	101,342	LF	$45	$4,560,390	60.0%	2,736,234	1,824,156
6" PVC Watermain	1983	331	70	42	28	70,889	LF	$65	$4,607,785	60.0%	2,764,671	1,843,114
8" PVC Watermain	1983	331	75	42	33	13,358	LF	$90	$1,202,220	56.0%	673,243	528,977
10" PVC, AC Watermain	1983	331	80	42	38	4,018	LF	$110	$441,980	52.5%	232,040	209,941
12" PVC, AC Watermain	1983	331	85	42	43	1,638	LF	$135	$221,130	49.4%	109,264	111,866
2" PVC Watermain	2004	331	70	21	49	325	LF	$25	$8,125	30.0%	2,438	5,688
3" PVC Watermain	2004	331	70	21	49	32,847	LF	$35	$1,149,645	30.0%	344,894	804,752
4" PVC Watermain	2004	331	70	21	49	30,386	LF	$45	$1,367,370	30.0%	410,211	957,159
6" PVC Watermain	2004	331	70	21	49	14,187	LF	$65	$922,155	30.0%	276,647	645,509
8" PVC Watermain	2004	331	75	21	54	3,614	LF	$90	$325,260	28.0%	91,073	234,187
14" PVC Watermain	2004	331	85	21	64	1,177	LF	$155	$182,435	24.7%	45,072	137,363
4" PVC Watermain	2024	331	70	1	69	1,500	LF	$45	$67,500	1.4%	964	66,536
6" PVC Watermain	2024	331	70	1	69	400	LF	$65	$26,000	1.4%	371	25,629
Hydrants	1994	331	70	31	39	51	#	$6,000	$306,000	44.3%	135,514	170,486
Water meters and services	1994	331	40	31	9	2,300	LF	$2,500	$5,750,000	77.5%	4,456,250	1,293,750
Blow-offs	1997	331	60	28	32	160	#	$1,000	$160,000	46.7%	74,667	85,333
Pump Building	1972	304	80	53	27	1,000	FT	$200.00	$200,000	66.3%	132,500	67,500
Chain link fence	2000	304	30	25	5	650	FT	$30.77	$20,000	83.3%	16,667	3,333

Table D-2: Reproduction Cost Details (continued)

Asset	Year	Asset Type	Avg. Service Life	Age	Remaining Useful Life	Quantity	Units	Unit Rate	RCN	Depr %	Depr	RCNLD
Collection												
4' Precast Manhole	1972	331	75	53	22	15	#	$4,500	$67,500	70.7%	47,700	19,800
3" PVC (ft)	1972	331	60	53	7	957	LF	$25	$23,925	88.3%	21,134	2,791
6" VCP (ft)	1972	331	70	53	17	1045	LF	$50	$52,250	75.7%	39,561	12,689
8" VCP (ft)	1972	331	75	53	22	2006	LF	$70	$140,420	70.7%	99,230	41,190
LS No. 1 Wetwell (Golf Course)	1972	311	50	53	-3	1	#	$25,000	$25,000	100.0%	25,000	0
LS No. 1 Pumps (Golf Course)	2015	311	15	10	5	2	HP	$5,000	$10,000	66.7%	6,667	3,333
LS No. 1 Electrical (Golf Course)	1988	311	50	37	13	1	#	$10,000	$10,000	74.0%	7,400	2,600
LS No. 2 Wetwell (Condos)	2000	311	50	25	25	1	#	$250,000	$250,000	50.0%	125,000	125,000
LS No. 2 Pumps (Condos)	2015	311	15	10	5	2	HP	$10,000	$20,000	66.7%	13,333	6,667
LS No. 2 Electrical (Condos)	2000	311	50	25	25	1	#	$20,000	$20,000	50.0%	10,000	10,000
Wastewater Treatment												
Concrete tanks	1972	320	80	53	27	5000	gallons	$10	$50,000	66.3%	33,125	16,875
Positive Displacement Blower	1972	320	50	53	-3	1	#	$15,000	$15,000	100.0%	15,000	0
Air line piping	1972	320	50	53	-3	1	#	$10,000	$10,000	98.0%	9,800	200
Coarse bubble diffusers	1972	320	50	53	-3	5	#	$3,000	$15,000	98.0%	14,700	300
Wood shed	2024	304	30	1	29	1	#	$10,000	$10,000	3.3%	333	9,667
Electrical service	1972	320	Perpetual	53	0	1	#	$5,000	$5,000	0.0%	0	5,000
Cattle fence	2015	304	30	10	20	700	#	$20,000	$20,000	33.3%	6,667	13,333
Chain link fence	2015	304	30	10	20	200	#	$5,000	$5,000	33.3%	1,667	3,333
Effluent Piping	1972	331	50	53	-3	1	#	$5,000	$5,000	98.0%	4,900	100
Rapid Infiltration Basin	1972	320	50	53	-3	1	#	$50,000	$50,000	96.0%	48,000	2,000

Source: Assessment Report, Raftelis

APPENDIX E:

Income and Market Data

[Page intentionally blank]

Table E-1: Customer Demand (Water)

Customer Demand and Normalization

	Year	Metered Connections: Single Family	Metered Connections: Commercial	Metered Connections: Total	Well Capacity (kgal)	Used Capacity from Source(kgal)	Treated Water (kgals)	Water Used for Line Flushing, Fires, etc.	Consumption (kgal)	Implied Water Loss	Monthly Average Consumption
Actual	2015	1,922	36	1,958	113,880	107,259	97,802	8,541	85,724	-12%	3,648
Actual	2016	1,928	36	1,964	113,880	104,208	101,032	8,547	86,654	-14%	3,677
Actual	2017	1,937	36	1,973	113,880	116,946	116,388	8,547	90,159	-23%	3,808
Actual	2018	1,982	36	2,018	113,880	106,348	102,783	11,964	85,252	-17%	3,520
Actual	2019	2,012	36	2,048	113,880	113,834	107,897	12,644	87,460	-19%	3,559
Actual	2020	2,050	37	2,087	113,880	119,699	119,699	19,785	91,713	-23%	3,662
Actual	2021	2,094	35	2,129	113,880	159,731	159,731	56,611	92,831	-42%	3,634
Actual	2022	2,173	38	2,211	113,880	139,288	139,287	38,970	95,613	-31%	3,604
Actual	2023	2,205	38	2,243	113,880	135,582	135,582	31,990	95,859	-29%	3,561
Actual	2024	2,240	38	2,278	113,880	132,955	134,418	14,731	96,131	-28%	3,517
Estimate	2025	2,300	38	2,338	113,880	135,942	136,429	28,564	95,868	-30%	3,417
2015-25 CAGR				1.8%			3.4%	12.8%	1.1%	9.2%	-0.7%
Normalized				2,300			138,000		96,600	30%	3,500

Source: FPSC Annual Reports, operational reports, and Raftelis

Cash flows to invested capital represent the total after-tax cash flow (Net-operating Profit After Taxes or "NOPAT") generated by the enterprise and available to the owners of the subject's invested capital: stockholders (equity) and creditors (debt). This measure of economic benefit is defined as follows:

Net cash flows or Economic Benefit = NOPAT + depreciation and amortization + changes in working capital additions - capital expenditures + interest on long-term debt (net of taxes)

Table E-2 provides comparisons of Public Guideline Companies and normalized values considered for the Subject Assets.

Table E-2: Industry and Normalized Statistics (Share of Total Revenues)

Company	ARTNA	MSEX	GWRS	YORW	SJW	CWT	WTRG	AWR	AWK	Subject Assets
EBITDA	44%	40%	42%	55%	38%	37%	54%	38%	54%	73%
EBIT	31%	28%	18%	38%	23%	25%	36%	31%	37%	57%
Income Tax	7%	4%	4%	2%	1%	4%	0%	5%	7%	-6%
Interest (Long-term Debt)	8%	7%	12%	12%	10%	6%	13%	8%	11%	14%
Net Income (NOPAT)	16%	23%	11%	24%	13%	18%	29%	17%	22%	37%
Depreciation and Amortization	13%	13%	24%	17%	15%	12%	18%	7%	17%	16%
Capital Expense	-10%	-10%	-19%	-14%	-12%	-10%	-14%	-6%	-13%	-20%
Debt Free Net Cash Flow	24%	32%	24%	39%	24%	25%	45%	25%	34%	45%

Sources: SEC 10-K filings; Raftelis; Notes: (1) Normalized, combined. Assumes cost reductions from economies of scale without increased revenues.

Table E-3: Normalized Pro Forma

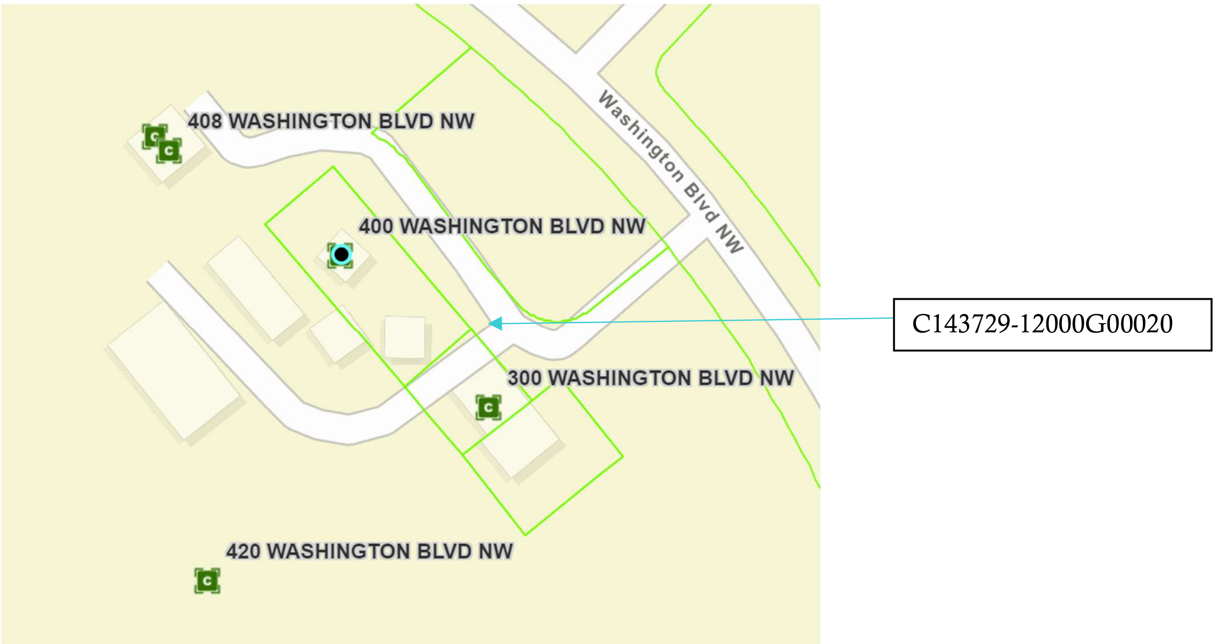
Capitalized Cash Flow (CCF)	Normalized	Share
System Revenues		
Charges for Services	$ 950,000	97.4%
Miscellaneous Services	25,000	2.6%
Total	$ 975,000	100.0%
Expenses		
Fixed Operating	$ 505,000	51.8%
Variable Operating	279,200	28.6%
Fixed cost efficiencies	(505,000)	-51.8%
Taxes Other Than Income	50,000	5.1%
Depreciation and amortization	291,900	29.9%
Total	621,100	63.7%
Net Operating Income (EBIT)	353,900	36.3%
Net Operating Income (EBIT)	353,900	36.3%
less: Interest expense	(85,100)	-8.7%
Pretax Income	268,800	27.6%
less: Income taxes	(30,900)	-3.2%
Net income	237,900	24.4%
plus: Depreciation and amortization	291,900	29.9%
plus/less: Additions to working capital	2,000	0.2%
less: Capital expenditures	(291,900)	-29.9%
plus: Interest expense (tax adjusted)	75,000	7.7%
Equity net cash flow	314,900	32.3%
Discount Rate	8.500%	
Long-term growth (explicit + perpetual)	2.000%	
Capitalization rate	6.500%	
Total Enterprise Value	$ 4,844,615	
Customers	2,300	
Equity value per customer	$ 2,106	
Revenue Multiple	4.97	

[Page Intentionally Blank]

APPENDIX F:

Real Property

[Page intentionally blank]

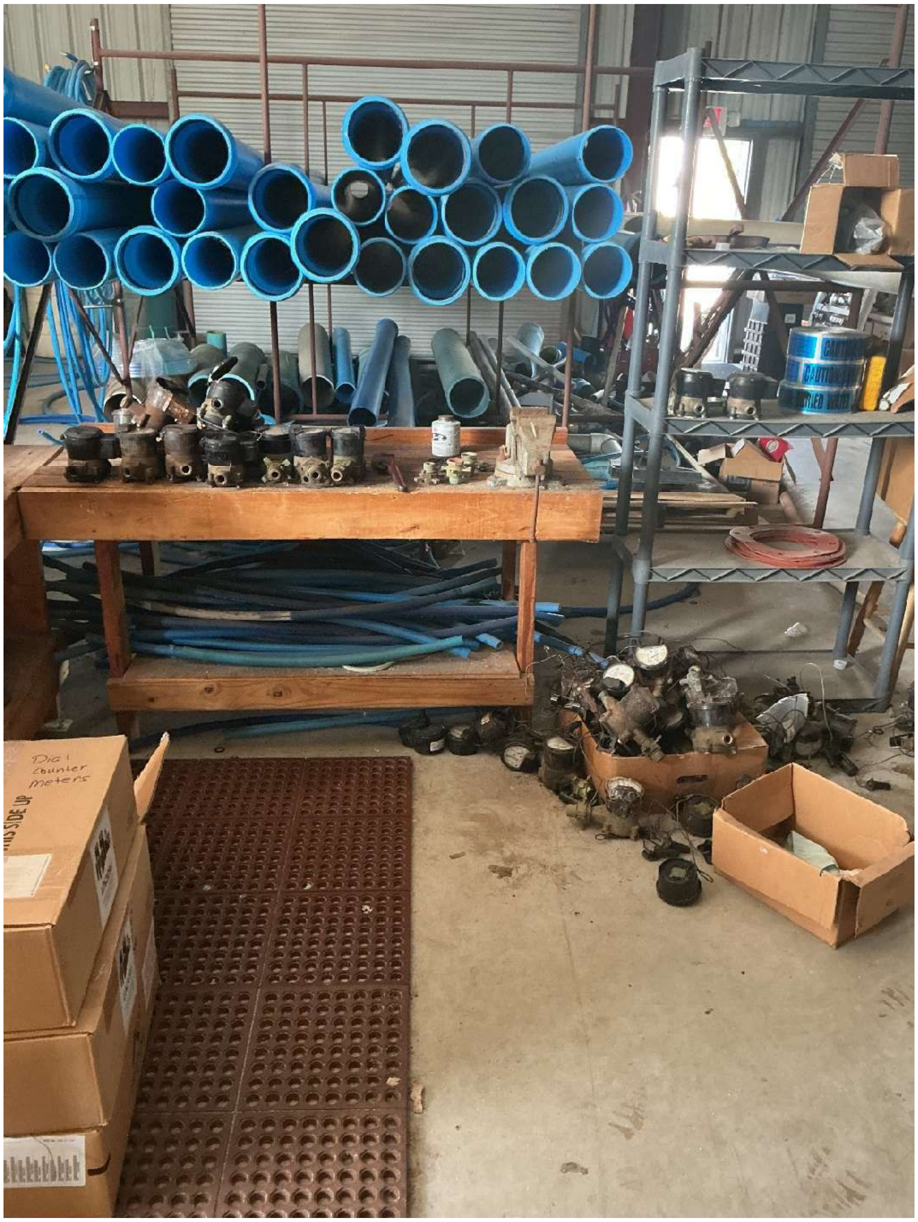


Source: Highland County Property Appraiser

APPENDIX G:

Site Visit Photos


THE CROM CORPORATION
GAINESVILLE, FLORIDA
U.S.A.
BUILDERS OF PRESTRESSED
COMPOSITE TANKS
19 SUPT. KEVIN MOSESSO & CREW 96

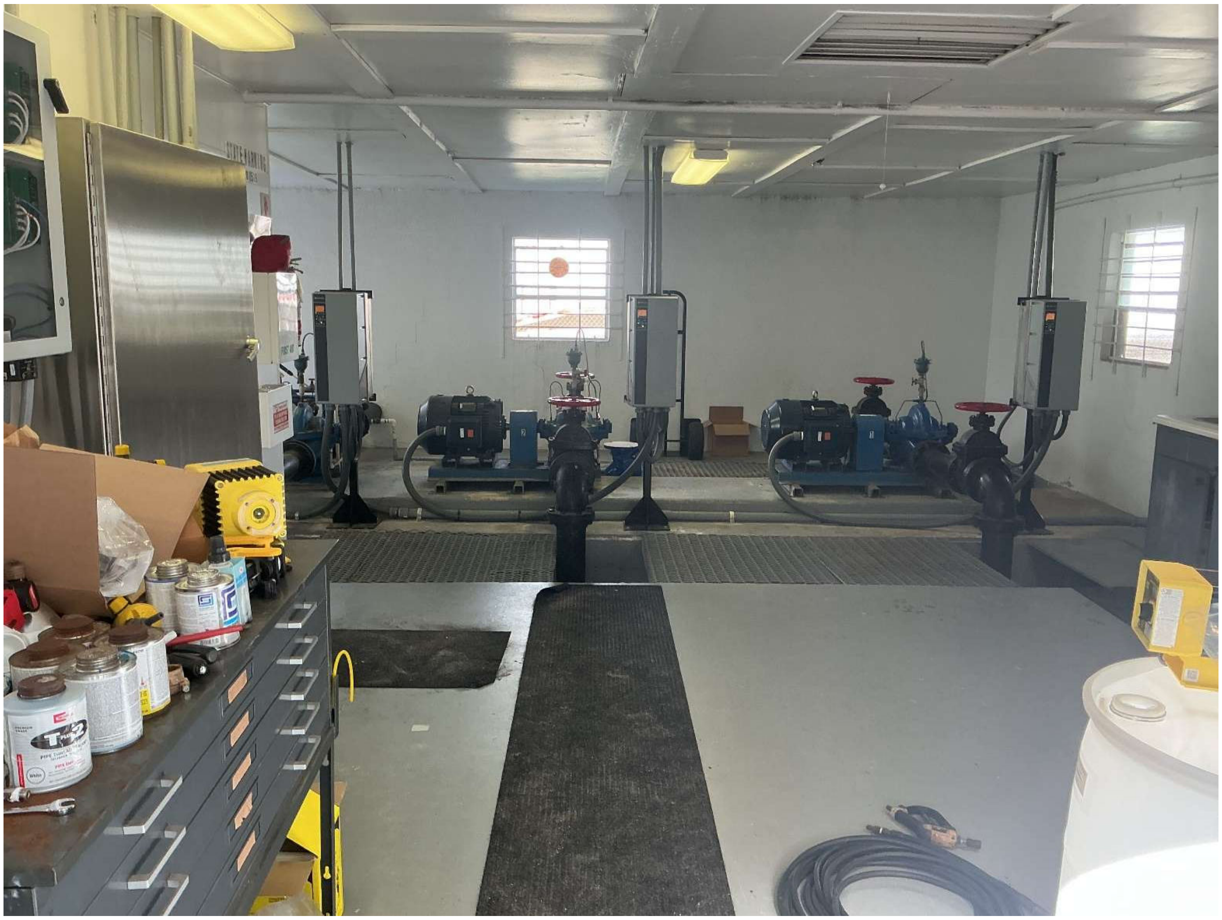

Dial
Counter
meters


400-1


FUTURE DEVELOPMENT
WASHINGTON BOULEVARD
Lake August
RECREATIONAL AREA
TO ROUTE US 27
WALT DISNEY WORLD 79 MILES
CATFISH CREEK
LAKE GROVES ROAD
COUNTRY CLUB COMPLEX
Proposed Shopping Center
GOLF
Par 72
COURSE


INGERSOLL RAND
T30


INJECTOR
FILTER
BYPASS
AERATOR PANS
BYPASS
STORAGE TANK




BUSCH
SCALETRON
STEM
IPEX
T-2


KOHLER
www.krain.com
13003

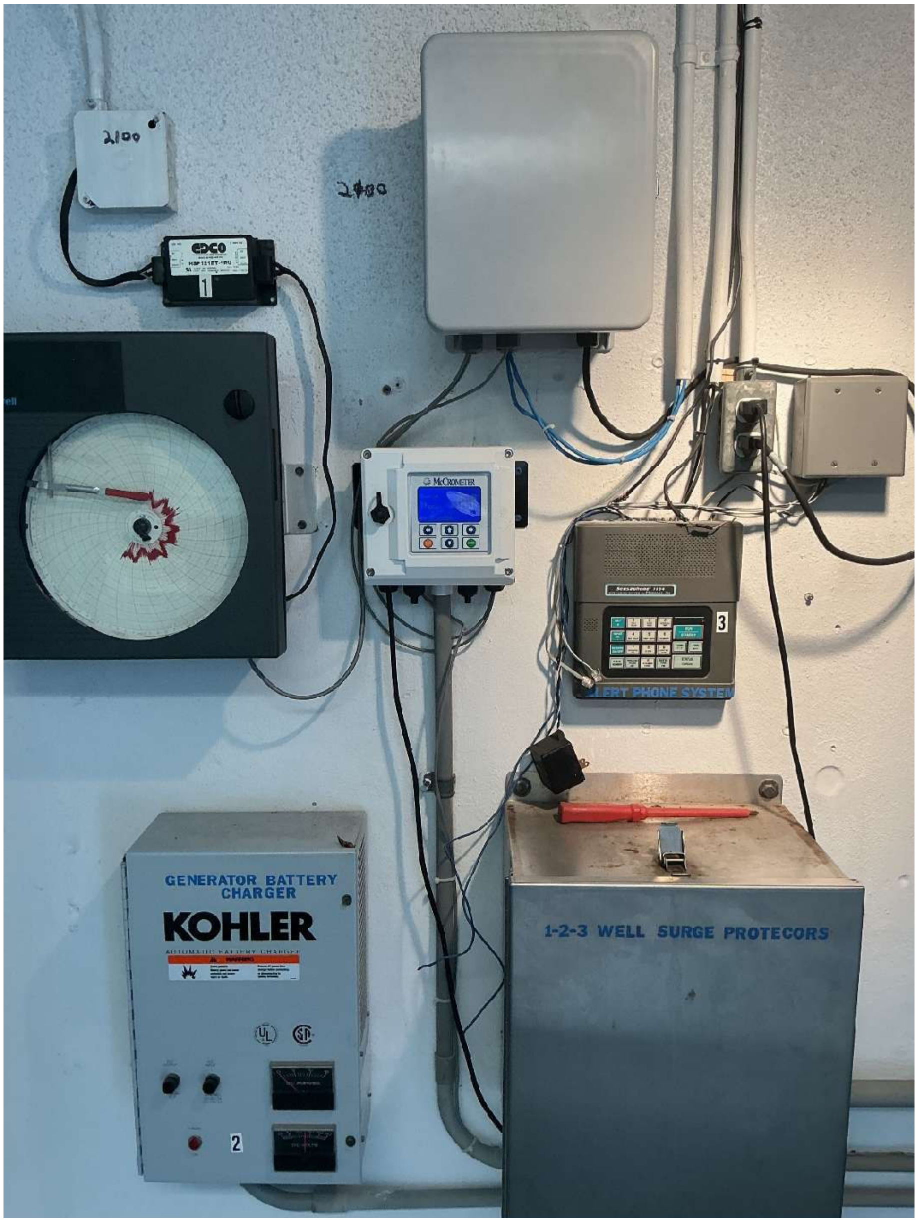

TRANSFER SWITCH
KOHLER.
POWER SYSTEMS


KOHLER


HERTZ
AC VOLTS
AC AMPERES
VOLTAGE
ADJUST
EMERGENCY
STOP
ONLY
KOHLER
600A


1


Data Flow Systems


2100
2100
EDCO
1
McCROMETER
3
ALERT PHONE SYSTEM
GENERATOR BATTERY CHARGER
KOHLER
2
1-2-3 WELL SURGE PROTECORS


408
410
LAKE PLACID HOLDING COMPANY
PLACID LAKES UTILITIES, INC.


CASE
CASE
SUTTON


WELL


THE CROM CORPORATION
GAINESVILLE FLORIDA
1972


0
2
4
6
8
10
12
FULL