

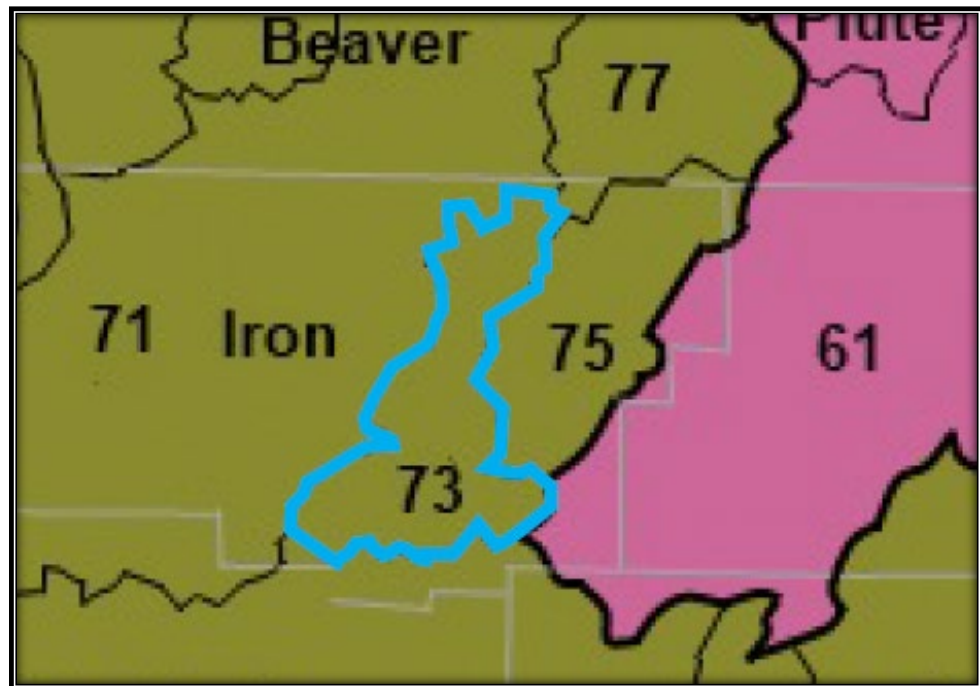


HYMAS & ASSOCIATES

REAL ESTATE APPRAISALS

Water Rights and Water Shares in Basin 73

Basin 73 is located in eastern portion of Iron County, UT



Prepared For
Mr. Jonathan Stathis
Cedar City Corporation
10 N. Main Street
Cedar City, UT 84720

Prepared By
Hymas & Associates, LC
Cody Hymas, MAI
337 S. Main Street, Suite 122
Cedar City, UT 84720
File #:21CH135



Date of Report: March 9, 2021

Mr. Jonathan Stathis
Cedar City Corporation
10 N. Main Street
Cedar City, UT 84720

Re: Water Rights and Water Shares in Basin 73
Basin 73 is located in the eastern portion of Iron County, UT
Appraisers' File #21CH135

Dear Mr. Stathis,

At your request, I have appraised water rights located within basin 73 and water shares within irrigation companies within the 73 basin. The purpose of the appraisal report is to form an opinion of market value of water rights and water shares within basin 73, which incorporates a portion of Iron County, Utah. The purpose of this appraisal report is to provide a conclusion of the current market value of water rights within basin 73 and water shares within irrigation companies within the 73 basin. Further, based on the request of the client, water rights with a priority date of 1934 or senior are to be concluded and water rights with a priority date of 1935 or younger is to be determine if there is an associated discount based on the State of Utah, Department of Natural Resources, Division of Water Rights final adoption of the Cedar City Valley Groundwater Management Plan. The State Engineer recently indicated that basin 73 is a critical management area with the adoption of the Cedar City Valley Groundwater Management Plan seeking to remedy the over depletion of basin 73. I, Cody Hymas, MAI, did not observe any of the water rights, wells, pumps, or appurtenant parts of water rights within basin 73 or the associated irrigation companies. The results of the appraisal report are presented in the following Appraisal Report which sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to my value opinions.

According to the Utah Division of Water Rights, basin 73 is described as follows, *"Reaching from T315 to T375 in Iron County, this drainage basin, of about 580 square miles, includes the surface source of Coal Creek in the southeast and several intermittent streams that flow from the Black Mountains in the north. It is bounded on the west by the 7,200 foot Harmony Mountains and the Swett Hills, on the south and east by the 11,307 foot Markagunt Plateau and Cedar Mountain, and on the north by the 8,700 foot Black Mountains. Low saddles on the south, northeast, and northwest lead to the adjacent Ash Creek, Parowan, and Escalante Valleys, respectively. The lowest point is Mud Springs Gap at 5,350 feet, giving the basin a total relief of about 5,250 feet."*

I developed my analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of my client as I understand them.

Mr. Jonathan Stathis is the client in this assignment and Cedar City Corporation is the sole intended user of the appraisal report. The intended use is to assist in providing a market value baseline for water rights in basin 73 with a priority date of 1934 or senior and determine what if any discount is associated with water rights with a priority day of 1935 or younger. Further, to determine a value baseline for water shares within irrigation companies located within basin 73. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

This appraisal relies on the following hypothetical condition:

- This appraisal report does not value any specific water rights. I have relied on the hypothetical condition that none of the water rights are currently listed for sale or under contract and none of the water rights have been listed for sale, under contract or sold within the three years preceding the date of this appraisal.



This appraisal relies on the following extraordinary assumption:

- There have been relatively few water rights that have sold over the past several years in basin 73. As such, I have relied on the sales I was able to verify as well as my interviews with market participants, municipalities officials, and real estate professionals in the area to assist in determining the value baseline and the possible discount associated with 1935 or younger priority water rights.

The use of the hypothetical condition and/or extraordinary assumption might have affected the assignment results.

Based upon my examination and study of the water rights and water shares within basin 73 and subject to the hypothetical condition, extraordinary assumption, and limiting conditions contained later in this appraisal report, market value of the water rights and water shares as of March 3, 2021, is as follows:

Basin 73 Water Right Value Conclusions Summary	
Water Priority, Location, and Acre-Feet	Value/Acre-Foot
North of Highway 56 Senior to July 25, 1934	
Water Right Sales Less than 10 Acre-Feet	\$6,500
Water Right Sales 10 Acre-Feet or Larger	\$5,525
South of Highway 56 Senior to July 25, 1934	
Water Right Sales Less than 10 Acre-Feet	\$6,500
Water Right Sales 10 Acre-Feet or Larger	\$5,525
Priority Dates from July 26, 1934 to December 31, 1935	
Water Right Sales Less than 10 Acre-Feet	\$5,000
Water Right Sales 10 Acre-Feet or Larger	\$4,000
Priority Dates from January 1, 1936 to December 31, 1951	
Water Right Sales Less than 10 Acre-Feet	\$4,500
Water Right Sales 10 Acre-Feet or Larger	\$3,600
Priority Dates from January 1, 1952 to December 31, 1954	
Water Right Sales Less than 10 Acre-Feet	\$4,000
Water Right Sales 10 Acre-Feet or Larger	\$3,200
Priority Dates from January 1, 1955 to December 31, 1957	
Water Right Sales Less than 10 Acre-Feet	\$3,750
Water Right Sales 10 Acre-Feet or Larger	\$3,000
Priority Dates from January 1, 1958 to Present	
Water Right Sales Less than 10 Acre-Feet	\$2,500
Water Right Sales 10 Acre-Feet or Larger	\$2,000
Coal Creek Irrigation Auxiliary Water Rights	
Senior to July 25, 1934	\$1,450



Cedar Valley Irrigation Companies		
Irrigation Company	Class of Stock	Value/Share
South & West Field	Class 1	\$1,100
Union Field	Class 1	\$2,800
East Extension	Class 1	\$1,350
	Class 2 & 3	\$1,650
	Class 4A	\$500
Northfield	Class 1	\$1,350
	Class 2 & 3	\$1,650
	Class 4A	\$500
Old Fort & Old Field	Class A	\$500
Northwest Field	Class A	\$450
Coal Creek	Class 4A	\$50
	Class 4B	\$25

Novel Coronavirus (COVID-19)

The outbreak of the Novel Coronavirus (COVID-19) declared by the World Health Organization as a global pandemic on March 11, 2020 is causing heightened uncertainty in local, national, and global markets. Many countries globally have implemented additional border control measures, strict travel restrictions, and a range of quarantine measures. The effect COVID-19 will have on the real estate markets in Southern Utah is currently unknown and will largely depend on the scale and longevity of the pandemic. Since limited market data is available since the onset of the pandemic, the impact on the real estate market remains relatively undetermined and uncertain. I have interviewed numerous real estate professionals, market participants, and developers in the area, as well as I have participated in several national webinars. Locally, most agree that the Novel Coronavirus has not negatively impacted the market, with exception of the hospitality and service industries which has been negatively impacted. Relying on my interviews with real estate professionals, market participants, and developers as well as any market data derived since March 11, 2020, the market in Southern Utah appears to be remaining rather stable currently, although the market is fluid and can act quickly and rational or irrational in the future. Given the uncertainty in the market, I highly recommend that you the client should be cautious when relying upon this valuation. I make every effort to provide the most recent market derived data, but the lack of data since the COVID-19 outbreak is a concern. Market derived data and conclusions are likely to change more rapidly now than during standard or typical market conditions and I recommend that you keep the valuation of this property under frequent review.

This letter of transmittal must be accompanied by all sections of this report as outlined in the Table of Contents, for the value opinions set forth above to be valid.

Respectfully submitted,
Hymas & Associates, LC


Cody Hymas, MAI
UT State Certified General Appraiser
UT #5504978-CG00 Expires April 30, 2022



Table of Contents

Certification.....6
General Assumptions & Limiting Conditions.....7
Summary of Salient Facts 10
Introduction 13
Utah Water Right History 17
Basin 73 General Information 19
Market Demand 20
Highest & Best Use 23
Auxiliary Water Rights 30
Cedar Valley Irrigation Companies 31
Addenda..... 41



Certification

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed prior appraisal related services regarding water rights within basin 73 within the previous three years of the appraisal date.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I, Cody Hymas, MAI, did not make a personal inspection of any water rights, water shares, or any part therefor within basin 73 for this assignment.
- No one provided significant real property appraisal assistance to the person(s) signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this appraisal, I, Cody Hymas, MAI, have completed the continuing education requirements for Designated Members of the Appraisal Institute.

Cody Hymas, MAI
UT Certified General Appraiser
Utah #5504978-CG00 Expires: April 30, 2022
Date: March 9, 2021

General Assumptions & Limiting Conditions

This appraisal is subject to the following limiting conditions:

1. As the subject consists of no specific water rights, I have not relied on any water right numbers, legal descriptions, or other defining information. I have relied on the general description for basin 73 from the information on the Utah Division of Water Rights website.
2. I accept no responsibility for legal matters. I express no opinion about the quality of the title which is assumed to be marketable. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, it is assumed that the subject has no encroachments, zoning violations or adverse restrictions.
4. I am not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
5. Unless expressly specified in this Agreement, the fee for this appraisal does not include the attending testifying at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding(s). If any partner or employee of Hymas & Associates, LC, is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Hymas & Associates, LC, for the time that its employees spend appearing and/or testifying and in preparing to testify according to the appraiser's then current hourly rate plus reimbursement of expenses.
6. The values for land and/or improvements and water rights or water shares, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
7. The dates of value to which the opinions expressed in this report apply are set forth in this report. I assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
8. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property and/or understanding the appraisal analysis. I accept no responsibility for the accuracy of these documents.
9. I have not made a survey of the water rights. Although I have developed my estimates of water rights and water shares based on reliable sources, I have not independently verified the accuracy of the information and assume no responsibility for its accuracy.
10. The information, estimates and opinions which were obtained from sources outside of Hymas & Associates, LC, are assumed to be reliable. I have not verified the information and assume no liability for its accuracy.
11. Possession of this appraisal report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraiser(s), professional designations, reference to any professional appraisal organization or the firm with which the appraiser(s) are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval from the appraiser(s).



12. I claim no expertise in matters which require specialized investigation or knowledge beyond levels common among real estate appraisers. Examples of these matters include, but are not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
13. This appraisal was prepared for the sole and exclusive use of the client. Any party who is not the client identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Hymas & Associates, LC, and Client. I assume no liability for unauthorized use of the appraisal report by a third party.
14. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
15. The value opinion provided herein is subject to all predications set forth in this report.
16. I assume that the water rights and water shares have no hidden or unknown conditions which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover.
17. Unless expressly granted in writing, this appraisal is not intended to be used, and may not be used, on behalf of or in connection with a real estate syndicate or syndicates. A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, an investment or gain from and interest in real property, including, but not limited to a sale or exchange, trade or development of such real property, on behalf of others, or which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency which regulates investments made as a public offering. It is agreed that any user of this appraisal who uses it contrary to the prohibitions in this section indemnifies the appraiser and the appraiser's firm and holds them harmless of and from all claims, including attorney's fees, arising from said use.
18. Unless otherwise stated in this report, I observed no hazardous material(s), which may or may not be present on the property. I have no knowledge of the existence of such materials on or in the property and, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value conclusion is predicted on the assumption that the property has no environmental contamination has no such material on or in the property that would cause a loss in value. I accept no responsibility for any such conditions, or for the cost of any expertise or engineering knowledge required to discover such materials and/or conditions. The client is urged to retain an expert in this field, if desired.
19. I have surveyed the property for compliance with the various requirements of the Americans with Disabilities Act ("ADA") which became effective January 26, 1992. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
20. If any claim is filed against Hymas & Associates, LC, its officers or employees, in connection with, or in any way arising out of, or relating to, this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
21. No changes in any federal, state, or local laws, regulations, or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.



22. It is the client's responsibility to read the report and to inform the appraiser(s) of any errors or omissions of which you are aware, prior to utilizing the report.
23. All disputes shall be settled by binding arbitration in accordance with the then-existing commercial arbitration rules of the American Arbitration Association (the "AAA").
24. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.
25. The report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of any particular value of the subject property. Other appraisers may reach different conclusions as to the value of the subject property. Furthermore, market value is highly related to exposure time, promotion effort, terms, motivation, and conclusions surrounding the offering of the subject property. The Report is for the sole purpose of providing the intended user with Hymas & Associates, LC independent professional opinion of the value of the subject property as of the date of the Report. Accordingly, Hymas & Associates, LC shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and Hymas & Associates, LC has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of Hymas & Associates, LC to buy, sell, hold, or finance the subject property.

Hypothetical Conditions:

- This appraisal report does not value any specific water rights. I have relied on the hypothetical condition that none of the water rights are currently listed for sale or under contract and none of the water rights have been listed for sale, under contract or sold within the three years preceding the date of this appraisal.

Extraordinary Assumptions:

- There have been relatively few water rights that have sold over the past several years in basin 73. As such, I have relied on the sales I was able to verify as well as my interviews with market participants, municipalities officials, and real estate professionals in the area to assist in determining the value baseline and the possible discount associated with 1935 or younger priority water rights.

The use of the hypothetical condition and/or extraordinary assumption might have affected the assignment results.



Summary of Salient Facts

Property Name:	Water Rights and Water Shares in Basin 73
Water Right Basin Description:	Reaching from T31S to T37S in Iron County, this drainage basin, of about 580 square miles, includes the surface source of Coal Creek in the southeast and several intermittent streams that flow from the Black Mountains in the north. It is bounded on the west by the 7,200 foot Harmony Mountains and the Swett Hills, on the south and east by the 11,307 foot Markagunt Plateau and Cedar Mountain, and on the north by the 8,700 foot Black Mountains. Low saddles on the south, northeast, and northwest lead to the adjacent Ash Creek, Parowan, and Escalante Valleys, respectively. The lowest point is Mud Springs Gap at 5,350 feet, giving the basin a total relief of about 5,250 feet.
Valuation Premise:	'as is'
Intended User:	Cedar City Corporation
Intended Use:	To assist in providing a market value baseline for water rights in basin 73 with a priority date of 1934 or senior and determine what if any discount is associated with water rights with a priority day of 1935 or younger. Further, to determine a value baseline for water shares within irrigation companies located within basin 73.
Extraordinary Assumptions:	Yes, See letter, introduction, and body of report.
Hypothetical Conditions:	Yes, See letter, introduction, and body of report.
Highest & Best Use:	Agriculture or transfer to municipalities for potable water.
Marketing Time:	3 to 6 months
Exposure Time:	3 to 6 months
Date of Inspection:	I did not observe any of the water rights, wells, pumps, or appurtenant parts of water rights within basin 73 or the associated irrigation companies.
Date of Value:	March 3, 2021
Date of Report:	March 9, 2021



Valuation

Basin 73 Water Right Value Conclusions Summary

Water Priority, Location, and Acre-Feet	Value/Acre-Foot
North of Highway 56 Senior to July 25, 1934	
Water Right Sales Less than 10 Acre-Feet	\$6,500
Water Right Sales 10 Acre-Feet or Larger	\$5,525
South of Highway 56 Senior to July 25, 1934	
Water Right Sales Less than 10 Acre-Feet	\$6,500
Water Right Sales 10 Acre-Feet or Larger	\$5,525
Priority Dates from July 26, 1934 to December 31, 1935	
Water Right Sales Less than 10 Acre-Feet	\$5,000
Water Right Sales 10 Acre-Feet or Larger	\$4,000
Priority Dates from January 1, 1936 to December 31, 1951	
Water Right Sales Less than 10 Acre-Feet	\$4,500
Water Right Sales 10 Acre-Feet or Larger	\$3,600
Priority Dates from January 1, 1952 to December 31, 1954	
Water Right Sales Less than 10 Acre-Feet	\$4,000
Water Right Sales 10 Acre-Feet or Larger	\$3,200
Priority Dates from January 1, 1955 to December 31, 1957	
Water Right Sales Less than 10 Acre-Feet	\$3,750
Water Right Sales 10 Acre-Feet or Larger	\$3,000
Priority Dates from January 1, 1958 to Present	
Water Right Sales Less than 10 Acre-Feet	\$2,500
Water Right Sales 10 Acre-Feet or Larger	\$2,000
Coal Creek Irrigation Auxiliary Water Rights	
Senior to July 25, 1934	\$1,450



Cedar Valley Irrigation Companies		
Irrigation Company	Class of Stock	Value/Share
South & West Field	Class 1	\$1,100
Union Field	Class 1	\$2,800
East Extension	Class 1	\$1,350
	Class 2 & 3	\$1,650
	Class 4A	\$500
Northfield	Class 1	\$1,350
	Class 2 & 3	\$1,650
	Class 4A	\$500
Old Fort & Old Field	Class A	\$500
Northwest Field	Class A	\$450
Coal Creek	Class 4A	\$50
	Class 4B	\$25



Introduction

Property Identification and Location – Per Utah Division of Water Rights Website

Basin 73 – Reaching from T31S to T37S in Iron County, this drainage basin, of about 580 square miles, includes the surface source of Coal Creek in the southeast and several intermittent streams that flow from the Black Mountains in the north. It is bounded on the west by the 7,200 foot Harmony Mountains and the Swett Hills, on the south and east by the 11,307 foot Markagunt Plateau and Cedar Mountain, and on the north by the 8,700 foot Black Mountains. Low saddles on the south, northeast, and northwest lead to the adjacent Ash Creek, Parowan, and Escalante Valleys, respectively. The lowest point is Mud Springs Gap at 5,350 feet, giving the basin a total relief of about 5,250 feet.

Client and Intended User

The client of this appraisal report is Mr. Jonathan Stathis. Intended users of this appraisal report include Cedar City Corporation and no others.

Intended Use

The intended use of this appraisal report is to assist in providing a market value baseline for water rights in basin 73 with a priority date of 1934 or senior and determine what if any discount is associated with water rights with a priority day of 1935 or younger. Further, to determine a value baseline for water shares within irrigation companies located within basin 73.

Appraisal Assignment

This appraisal has been completed at the specific request of Mr. Jonathan Stathis of Cedar City Corporation. There are no specific water rights valued in this appraisal report. This appraisal report consist of all water rights within basin 73 with respect to the priority dates established in the Cedar City Valley Groundwater Management Plan that was adopted January 11, 2021.

Definitions

A glossary of general appraisal terminology is contained in the Addendum. Following are some of the more pertinent definitions that will be used in this appraisal.

Market Value

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source – Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [h].

Appraisal Report

A written report prepared under Standards Rule 2-2(a) of the Uniform Standards of Appraisal Practice, 2020/2021 ed.

Note: This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a summary or description of the appraisal process, subject and market data and valuation analyses.



Marketing and Exposure Time

Marketing time is defined by The Dictionary of Real Estate Appraisal 6th Edition as “an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.” Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. Marketing Time and Exposure Time would ordinarily be the same, unless a temporary market condition existed prior to the date of valuation that would not be a factor postdate of value or vice versa. Market influences like a road widening, local or national election could be considered. Sources of support data include national surveys, comparable sales data and broker interviews.

Based on the above information the marketing time for a property such as the subject has been determined to be approximately 3 to 6 months. This estimate is based upon the statistical information above about days on the market and market times gathered through sales verification as well as interviews with commercial real estate brokers in the Iron County area.

Exposure time is presumed to precede the effective date of the appraisal and reflects the estimated length of time the property would need to be offered prior to the date of the appraisal to achieve a market value sale on the effective date of the appraisal. Based on an analysis of market conditions, the exposure time is determined to be 3 to 6 months.

Property Ownership

This appraisal report does not value any specific water right but rather values general water rights and water shares within basin 73. Therefore, no ownership is noted.

Current and/or Previous Listing History

As this appraisal report does not value any specific water rights, I have relied on the hypothetical condition that none of the water rights are currently listed for sale and have not been listed for sale within the three years preceding the date of this appraisal report.

Current Contract and/or Previous Contract

As this appraisal report does not value any specific water rights, I have relied on the hypothetical condition that none of the water rights are currently under contract and have not been under contract within the three years preceding the date of this appraisal report.

Sales History

As this appraisal report does not value any specific water rights, I have relied on the hypothetical condition that none of the water rights have sold within the three years preceding the date of this appraisal report.

Important Dates

Date of Value
March 3, 2021

Inspection Date
No physical inspection.

Date of Report
March 9, 2021

Scope of Work

This report is intended to be a narrative appraisal report, as defined by the Appraisal Foundation in the current Uniform Standards of Professional Practice. All data pertinent to the solution of the appraisal problem has been collected, confirmed, and reported. The difficulty of the appraisal problem is reflected in the extent of the Scope of the Appraisal.

To accomplish the stated purpose of the appraisal, a field observation of the subject and the surrounding neighborhood and marketing area was conducted. In addition, extensive research regarding sales, rentals and other information was collected, confirmed, and analyzed to support the valuation analysis. The specific activities included the following:

- **Property Identification**

There are no specific water rights valued in this appraisal report. This appraisal report consist of all water rights within basin 73 with respect to the priority dates established in the Cedar City Valley Groundwater Management Plan that was adopted January 11, 2021.



- **Type of Property Observation**
I did not observe any of the water rights, wells, pumps, or appurtenant parts of water rights within basin 73 or the associated irrigation companies.
- **Problem to be Solved (Purpose of the Appraisal)**
To assist in providing a market value baseline for water rights in basin 73 with a priority date of 1934 or senior and determine what if any discount is associated with water rights with a priority day of 1935 or younger. Further, to determine a value baseline for water shares within irrigation companies located within basin 73.
- **Data and Research**
I interviewed officials within Cedar City, Enoch City, Central Iron County Water Conservancy District, irrigation companies, and the Southwest Branch of the State of Utah Division of Water Rights. Additionally, I interviewed numerous market participants and real estate professionals in an effort to obtain sufficient data to rely on within this appraisal report.
- **Market Analysis**
Research was performed into the local economy that drives the demand for water rights and water shares.
- **Highest & Best Use**
Research was conducted for comparable sales and listings of water rights and water shares to assist in supporting the conclusions.
- **Informational Sources**
Research, analyses, and conclusions are contained within this appraisal report with additional information, research, analysis, notes, and conclusions are retained within the hard file.

Appraisal Methodology & Valuation

The valuation of commercial real estate is typically based on the traditional approaches to value. These are described as follows.

- **Cost Approach** – The Cost Approach is based upon the principle of substitution, which states that a prudent purchaser would not pay more for a property than the amount required to purchase a similar site and construct a similar improvement without undue delay, producing a property of equal desirability and utility. This approach is particularly applicable when the improvements being appraised are relatively new or when the improvements are so specialized that there is little or no sales data from comparable properties.
- **Income Capitalization Approach** – The Income Capitalization Approach is based on the principle of anticipation, or the assumption that value is created by the expectation of benefits to be derived in the future, such as expected future income flows. Its premise is that a prudent investor will pay no more for the property than he or she would for another investment of similar risk and cash flow characteristics. The Income Capitalization Approach is widely used and relied upon in appraising income-producing properties, especially those for which there is an active investment sales market.
- **Direct Sales Comparison Approach** – The Sales Comparison Approach involves the direct comparison of sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general-purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors.

Cost Approach

The cost approach was not developed as the subject consists of water rights and water shares and the cost approach is not applicable and does not provide a reliable indication of market value.

Sales Comparison Approach

The sales comparison approach was developed as there is adequate data to develop a conclusion of market value and the sales comparison approach reflects market behavior. In addition to the market data, I have relied heavily on my interviews with municipalities officials, market participants, and real estate professionals.

Income Capitalization Approach

The income capitalization approach was not developed as the subject consists of water rights and water shares and the income approach is not applicable and does not provide a reliable indication of market value.

Hypothetical Conditions

- This appraisal report does not value any specific water rights. I have relied on the hypothetical condition that none of the water rights are currently listed for sale or under contract and none of the water rights have been listed for sale, under contract or sold within the three years preceding the date of this appraisal.

Extraordinary Assumptions

- There have been relatively few water rights that have sold over the past several years in basin 73. As such, I have relied on the sales I was able to verify as well as my interviews with market participants, municipalities officials, and real estate professionals in the area to assist in determining the value baseline and the possible discount associated with 1935 or younger priority water rights.

The use of the hypothetical condition and/or extraordinary assumption might have affected the assignment results.



Utah Water Right History

The Utah pioneers, in the late 1840's, were the first Anglo-Saxons to practice irrigation on an extensive scale in the United States. Being a desert, Utah contained much more cultivable land than could be watered from the incoming mountain streams. The principle was established that those who first made beneficial use of water should be entitled to continued use in preference to those who came later. This fundamental principal was later sanctioned in law and is known as the Doctrine of Prior Appropriation. This means those holding water rights with the earliest priority dates, and who have continued beneficial use of the water, have the right to water from a certain source before others with water rights having later priority dates.

In the early territorial days, rights to the use of public streams of water were acquired by physical diversion and application of water to beneficial use, or by legislative grant. A "county courts" water allocation system was enacted in 1852 and was in effect until 1880 when it was replaced by a statute providing for county water commissioners.

The Office of the State Engineer was created in 1897. The State Engineer is the chief water rights administrative officer. A complete "water code" was enacted in 1903 and was revised and reenacted in 1919. This law, with succeeding complete reenactments and amendments is presently in force mostly as *Utah Code*, Title 73. In 1967 the name of the Office of the State Engineer was changed to the Division of Water Rights with the State Engineer designated as the Director, but the public sometimes still refers to the Division as the State Engineer's Office. The Division of Water Rights is the state agency that regulates the appropriation and distribution of water in the state of Utah.

All waters in Utah are public property. A "water right" is a right to divert (remove from its natural source) and beneficially use water. The defining elements of a typical water right will include:

- A defined nature and extent of beneficial use;
- A priority date;
- A defined quantity of water allowed for diversion by flow rate (cfs) and/or by volume (acre-feet);
- A specified point of diversion and source of water;
- A specified place of beneficial use.

Rights for water diversion and use established prior to 1903 for surface water or prior to 1935 for ground water can be established by filing a "diligence claim" with the Division. Such claims are subject to public notice and judicial review and may be barred by court decree in some areas of the state.

All other rights to the use of water in the State of Utah must be established through the appropriation process administered by the Division of Water Rights. The steps to this process for an "Application to Appropriate Water" are as follows:

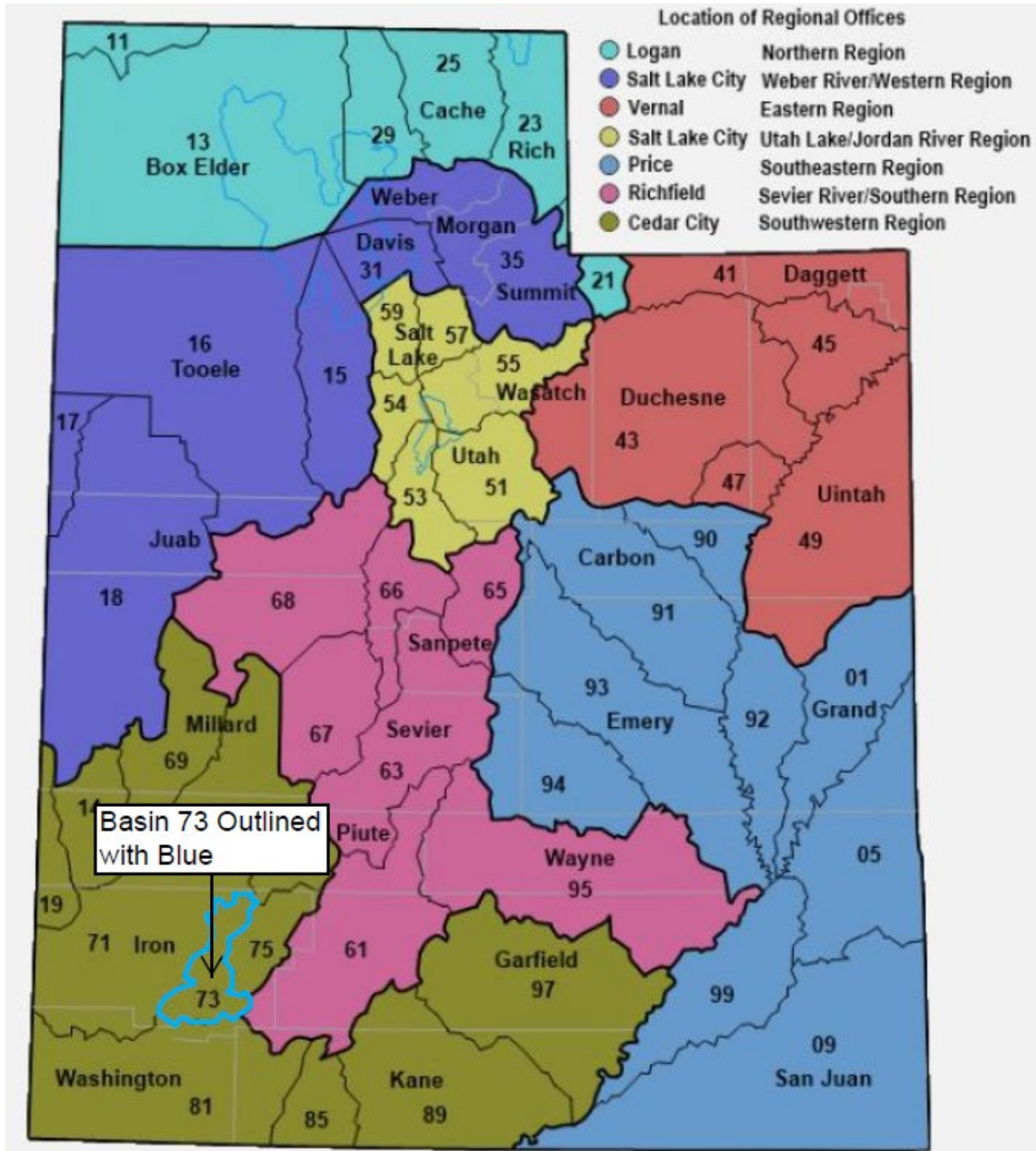
- An Application to Appropriate Water is filed with the Division.
- The application is advertised and protests may be received and a hearing may be held.
- The State Engineer renders a decision on the application based upon principles established in statute and by prior court decisions.
- If the application is approved, the applicant is allowed a set period of time within which to develop the proposed diversion and use water. When the diversion and use are fully developed, the applicant retains the services of a professional engineer or land surveyor who files "proof" documentation with the Division showing the details of the development.
- Upon verification of acceptably complete proof documentation, the State Engineer issues a Certificate of Appropriation, thus "perfecting" the water right.

Many areas of the state are administratively "closed" to new appropriations of water. In those areas, new diversions and uses of water are established by the modification of existing water rights. Such modifications are accomplished by the filing of "change applications." These applications are filed and processed in a manner very similar to that described above for Applications to Appropriate Water.

Water appropriation issues in specific geographic areas of the state are often administered using policies and guidelines designed to address local conditions. These policies and guidelines are generally developed



for all or part of a defined Drainage Basin. Below is a State of Utah basin map which was taken from the Utah Division of Water Rights webpage and it identifies the location of each basin.





Basin 73 General Information

Area 73 – Cedar City Valley (Per Utah Division of Water Rights Webpage)

Water rights in this area were first compiled into a proposed determination of water rights in 1947. This publication was superseded by the completion of four proposed determination books in 1966; a pre-trial order was issued in 1970. There are two state-administered water distribution systems in this area; the Coal Creek Distribution System oversees the distribution of surface water from Coal Creek, while the Cedar City Valley Distribution System monitors the ground-water pumpers. Both systems are under the jurisdiction of the Cedar City Valley Commissioner. The Cedar Breaks National Monument Water Rights Settlement Agreement was signed in April 2000 and quantifies the appurtenant water rights.

General Description of Basin 73

Reaching from T31S to T37S in Iron County, this drainage basin, of about 580 square miles, includes the surface source of Coal Creek in the southeast and several intermittent streams that flow from the Black Mountains in the north. It is bounded on the west by the 7,200 foot Harmony Mountains and the Swett Hills, on the south and east by the 11,307 foot Markagunt Plateau and Cedar Mountain, and on the north by the 8,700 foot Black Mountains. Low saddles on the south, northeast, and northwest lead to the adjacent Ash Creek, Parowan, and Escalante Valleys, respectively. The lowest point is Mud Springs Gap at 5,350 feet, giving the basin a total relief of about 5,250 feet.

Surface and Ground Water

All waters of the basin are considered to be fully appropriated. New diversions and uses must be accomplished by change applications based on valid existing water rights. Fixed-time projects must be accomplished by temporary change applications on valid existing water rights, which require annual renewal. The basin is divided into two subareas. The boundary is generally delineated by the route of State Highway 56 through the valley. No change applications between subareas are allowed. Change applications proposing a change from surface to underground sources or vice versa will be critically reviewed to assure hydrologic connection, that there are no enlargements of the underlying right(s), and that there will be no impairments of other rights.

The general irrigation diversion duty for this area, which the State Engineer uses for evaluation purposes, is 4.0 acre-feet per acre per year. The consumptive use requirement is determined from the publication Consumptive Use of Irrigated Crops in Utah, Research Report 145, Utah State University, 1994, unless the applicant submits other data for consideration. This area is administered by the Southwest Regional Office in Cedar City.



Market Demand

General Market Conditions

Historically there has been good demand for water rights in Utah. However, it is somewhat difficult to analyze the amount of water right transactions as water rights can and are marketed and transferred in many different forums. Although water rights are marketed in different forums, water rights typically have very little variation in sales price if compared to the same basin, albeit this has changed recently with water rights rapidly increasing in sales price over the past year or two. The most notable difference in sales price comes from basin 81, which depending on the water rights location can vary four or more times in price from one place to another. My interviews with municipality officials, market participants and real estate professionals active in water rights generally agreed that the market for water rights is fairly predictable with buyers and sellers both generally having a reasonable understanding about water right prices, uses and locations until recently. Historically, water rights transferred mainly between farmers who utilized the water for irrigation but recently developers have become major purchasers of water which has increased the pricing of the water.

Sellers typically market water rights competitively with little to no negotiations in asking price. Additionally, water rights are easily split off and typically sell with less than 3 or 4 acre-feet in any one transaction. However, there are occasions where large amounts of acre-feet sell in one transaction. In these large transaction sales, the sales price per acre-foot can vary from no associated discount to a rather large associated discount depending on the motivations of the buyer and/or seller. Lastly, the marketing period for water rights is relatively low if the water rights are marketed at a price within the context of the market.

Historically, water rights have been relatively stable. However, several years ago the Utah Division of Water Rights Engineer completed a study of basin 73. The study indicated that the average annual groundwater withdrawals from Cedar City Valley (basin 73) exceeded the safe yield, making this basin a critical management area. The safe yield for the groundwater basin is estimated at 21,000 acre-feet per year, while the current average depletion from the groundwater basin is estimated at 28,000 acre-feet per year. Thus, it is estimated that average actual depletion must be reduced by 7,000 acre-feet per year in order to balance recharge and depletion amount in this groundwater basin.

Based off the findings of the Utah Division of Water Rights Engineer, the Cedar City Valley Groundwater Management Plan was adopted on January 11, 2021. The Cedar City Valley Groundwater Management Plan is based solely on the priority dates of the water rights. A copy of the Cedar City Valley Groundwater Management Plan is found in the addendum of this appraisal report. According to this plan, water rights with a priority date of July 25, 1934 or senior are secure and do not face any potential loss or deduction. After which, water rights with specific priority dates are tiered with senior water rights having the most security and junior water rights being the most vulnerable of losing the water rights outright. The priority dates regulated are as follows: July 25, 1934 or senior are safe from any loss followed by the following tiers July 26, 1934 to December 31, 1935, January 1, 1936 to December 31, 1951, January 1, 1952 to December 31, 1954, January 1, 1955 to December 31, 1957 and January 1, 1958 to present.

Based on the conclusions of the Cedar City Valley Groundwater Management Plan, both Cedar City Corporation and Enoch City Corporation will not purchase any water with a priority date younger than 1934. Based off my interview with city officials, this is because the City's are unwilling to risk purchasing water rights that potentially could be completely taken away. However, my interviews with market participants and real estate professionals have indicated that although municipalities are willing to purchase 1935 or younger water, many market participants will. Market participants interviewed indicated that they only need water for a fixed amount of time, they believe the groundwater basin will recharge, or they believe that another solution will allow for sufficient water and the water will be able to be used for an extended period.

As water has become such a "hot" topic many more people are becoming educated on the issues. In fact, according to a news article by St. George news dated March 21, 2019, *"The Central Iron County Water Conservancy District recently secured 26,275 acre-feet of groundwater rights from Utah's West Desert."* This water that was secured is located in the Wah Wah and Pine Valley, which is located approximately 50 miles northwest of Cedar City. Although the Central Iron County Water Conservancy District secured the 26,275 acre-feet of groundwater rights, a large amount of time, energy, and cost lies ahead to bring the water to the Cedar City Valley. News like this are exciting to some market participants that have young



priority dated water or for market participants who believe some solution will protect water purchased with a young priority date.

Further, both Central Iron County Water Conservancy District and Cedar City have been very active in developing and improving recharge efforts. To date the recharge efforts have proven to be successful but still significantly less than necessary to recharge the aquifer sufficiently. Although insufficient recharge efforts to date have been made the success to date is encouraging and further recharge plans are in the works.

Historically, there has always been and remains a strong market for water rights, albeit the market is changing because of some of the uncertainty. Although water rights in basin 73 are likely to change moving forward the market for 1934 and senior water currently is secure and not likely to change but 1935 and younger water is likely to change with some uncertainty moving forward. Because the Cedar Valley Groundwater Management Plan was recently adopted, the full extend of the market is unknown.



Population Growth and Trends

According to the U.S. Census Bureau the estimated population of Iron County was 46,163 as of 2010 and is estimated to be 52,775 as of 2018, an increase of 14.32% total or 1.79% per year. According to the Kem C. Gardner Policy Institute it was projected that Iron County could expect an annual growth rate of 1.92% through 2030. It is estimated that Iron County will increase in population by 17,735 between the years 2010 and 2030. This would be a 38.42% increase from 46,163 people in 2010 to 63,898 people in 2030, an increase of 1.92% per year. Given the actual 1.79% change per year from 2010 to 2018 and that demographers expected growth, it is unlikely to meet the expectations, but Iron County is poised to have strong growth moving forward.

Geography	2010, Census	2030, Projected	% Change
Sanpete County	27,822	36,158	30%
Unitah County	32,588	43,981	35%
Summit County	36,324	50,558	39%
Iron County	46,163	63,898	38%
Box Elder County	49,975	64,263	29%
Tooele County	58,218	93,258	60%

<https://gardner.utah.edu/demographics/population-projections/>

The table above is prepared using data from the Kem C. Gardner Policy Institute. The table indicates the projected population of six similarly sized counties by 2030. Based off the projected population in Iron County, Iron County is expected to have the 8th largest percentage increase when compared with the other 29 counties in Utah between 2010 and 2030. Iron County is projected to add over 17,735 people during that time.

This growth rate is expected to continue in the foreseeable future according to the Kem C. Gardner Policy Institute. Increasing population growth promotes increased demand for new residential building sites and new demand for commercial development.

The Utah Department of Workforce Services stated the following regarding the economy of Iron County, updated on January 29, 2021.

“Although COVID-19 continues to spread, Iron County’s economy appears to be recovering. Despite ongoing contraction in leisure/hospitality services employment, the county actually generated overall year-to-year job gains in third quarter 2020. Joblessness is inching towards full-employment and claims for unemployment insurance have tapered off to pre-pandemic levels. Both residential construction and sales seemed to ignore the national slowdown with notable gains. Only nonresidential construction parted from this improving picture.”



Highest & Best Use

The highest and best use of a property is "the reasonably probable use that results in the highest value. The four criteria that the highest best use must meet are legal permissibility, physical possibility, financial feasibility, and maximally productive."

Source: The Dictionary of Real Estate Appraisal, 6th Edition by The Appraisal Institute

Definitions from The Dictionary of Real Estate Appraisal 6th Edition for the four requirements are found below:

Legal Permissibility – A property use that is either currently allowed or most probably allowable under zoning codes, building codes, environmental regulations, and other applicable laws and regulations that govern land use.

Physical Possibility – For a land use to be considered physically possible, the parcel of land must be able to accommodate the construction of any building that would be a candidate for the ideal improvement.

Financial Feasibility – For a land use to be considered financially feasible, the value of the land use must exceed costs.

Maximally Productive – To achieve maximum productivity, a specific land use must yield the highest value of all the physically possible, legally permissible, and financially feasible possible uses.

This appraisal assignment involves the valuation of water right. Water rights are unique as the water is not necessarily tied to real estate and if the water is tied to property it can be severed from the real property and transferred to another location. For this analysis, I have assumed that all water rights are severed from any real property. With that in mind, the discussion of highest and best use in this report addresses only the water right.

According to Utah Code, Title 73, Chapter 1, Section 4 (2a), *"Except as provided in Subsection (2)(b) or (e), when an appropriator or the appropriator's successor in interest abandons or ceases to beneficially use all or a portion of a water right for a period of at least seven years, the water right or the unused portion of that water right is subject to forfeiture in accordance with Subsection (2)(c)."* For the purposes of this appraisal report I have assumed that all water rights have demonstrated beneficial use and are not subject to forfeiture.



Analysis of Highest & Best Use of the Water Rights

Legally Permissible

The water rights are located within basin 73 and are capable of transfer from one point of diversion to another. However, Highway 56 water rights are required to remain south of Highway 56 and water rights north of Highway 56 are required to remain north of Highway 56. Although water is capable of being diverted from one point of diversion to another it is required that an application is made to the Utah Division of Water Rights for both approval and transferability. Both transferring the point of use and changing the use would be considered legally permissible, as long as it remains either north or south of Highway 56 for the purpose of this appraisal.

Physically Possible

Underground basin 73 water rights can be used for a number of purposes. The water can be used for agriculture, irrigation, and industrial purposes without further processing. Some wells are potable while some wells do required treatment to become potable. The water is within treating facilities and could easily be transferred to a different point of diversion to be treated. From a physical perspective, the site is capable of accommodating many uses within the confines of the use.

Financially Feasible and Maximally Productive

Use is of primary concern. Historically, water rights in the Cedar City Valley have been for agriculture which remains financially feasible and maximally productive, as long as the pricing does not exceed agriculture income levels. Recently, the cost of water has increased to the point that farmers can no longer financially afford to purchase the water. However, over the past several years, both Cedar City and Enoch City requires water right to be deeded to the respective city for any development to occur. Therefore, given the recent increasing in population and the number of new residences being construct, water rights in the Cedar City Valley have also been critically important for development. Currently, Cedar City requires 1.2 acre-feet of water per acre to be deeded to the city if the property is being annexed into city limits or 1.5 acre-feet of water per acre to be deeded to the city if the property is already within city limits. Enoch City requires 1 acre-foot of water per improvement or site. Additionally, neither municipality will accept water that is 1935 or younger because of the possibility of loss of water. Ultimately, water has proven to be financially feasible and maximally productive for both agriculture and future development.



Water Rights

Water rights are classified as "real property" in the State of Utah and are bought and sold much like real estate. However, water rights are only classified as real property but do not meet the definition of real property. According to The Dictionary of Real Estate Appraisal, real property is defined as *"all interests, benefits, and rights inherent in the ownership of physical real estate; the bundle of rights with which the ownership of the real estate is endowed."* Water rights are associated with a general area, or basin and are divisible.

To determine the market value of the subject water rights, I searched for sales and listings of water rights in the specific basin and interviewed numerous municipality officials, several real estate professionals, and developers who own or have purchased water rights. On the following table are multiple sales and one pending sale of water rights noted in Basin 73 or the Cedar Valley Basin.



Comparable Water Rights for Basin 73

Water Right	Priority Date	Source	Amount	Sales Date	Sales Price	Price/Ac-Ft
73-126	1930	Underground water well	32.00 Ac-Ft	Pending	\$224,000	\$7,000
73-796	1934	Underground water well	0.50 Ac-Ft	12/24/2020	\$3,000	\$6,000
73-4254	1934	Underground water well	217.00 Ac-Ft	10/22/2020	\$868,219	\$4,001
73-2294 & 4281	1934 & 1933	Underground water well	100.08 Ac-Ft	8/26/2020	\$450,360	\$4,500
73-277	1910	Underground water well	1.00 Ac-Ft	8/17/2020	\$6,000	\$6,000
73-4226 & 43-4227	1930 & 1916	Underground water well	31.15 Ac-Ft	2/28/2020	\$131,086	\$4,208
73-1770	1860	Underground water well	9.00 Ac-Ft	1/31/2020	\$49,500	\$5,500
73-140	1928	Underground water well	8.00 Ac-Ft	1/21/2020	\$40,000	\$5,000
73-3397	1931	Underground water well	1.00 Ac-Ft	5/22/2019	\$5,000	\$5,000
73-3685 & 73-3854	1930	Underground water well	62.41 Ac-Ft	4/3/2019	\$237,158	\$3,800
73-3185	1934	Underground water well	10.00 Ac-Ft	12/21/2018	\$38,211	\$3,821
73-3685	1930	Underground water well	1.00 Ac-Ft	9/11/2018	\$3,600	\$3,600
73-4116	1932	Underground water well	2.00 Ac-Ft	8/1/2018	\$6,000	\$3,000
73-277	1910	Underground water well	1.00 Ac-Ft	7/31/2018	\$5,000	\$5,000
73-4090	1930	Underground water well	30.64 Ac-Ft	5/11/2018	\$115,092	\$3,757
73-3685 & 3922	1930	Underground water well	35.22 Ac-Ft	5/2/2018	\$122,312	\$3,473
73-4084	1930	Underground water well	26.83 Ac-Ft	4/4/2018	\$94,084	\$3,507
73-3371	1927	Underground water well	2.00 Ac-Ft	12/6/2017	\$8,100	\$4,050
73-280	1931	Underground water well	2.00 Ac-Ft	11/13/2017	\$12,000	\$6,000
73-1770	1860	Underground water well	1.00 Ac-Ft	5/30/2017	\$4,900	\$4,900
73-1770	1860	Underground water well	1.00 Ac-Ft	5/26/2017	\$4,900	\$4,900
73-1770	1860	Underground water well	1.00 Ac-Ft	5/18/2017	\$4,900	\$4,900
73-1770	1860	Underground water well	1.00 Ac-Ft	5/17/2017	\$4,900	\$4,900
73-2869	1860	Underground water well	5.00 Ac-Ft	3/31/2017	\$16,000	\$3,200
73-4043	1930	Underground water well	24.58 Ac-Ft	2/14/2017	\$80,006	\$3,255
73-4252	1935	Underground water well	1.00 Ac-Ft	12/30/2020	\$7,000	\$7,000
73-149	1935	Underground water well	14.83 Ac-Ft	8/14/2020	\$72,303	\$4,875
73-3207	1944	Underground water well	0.50 Ac-Ft	12/10/2019	\$2,000	\$4,000
73-4037	1944	Underground water well	1.00 Ac-Ft	8/29/2019	\$5,000	\$5,000
73-3887	1943	Underground water well	17.00 Ac-Ft	5/18/2018	\$68,000	\$4,000
73-1032	1953	Underground water well	1.50 Ac-Ft	12/16/2020	\$7,500	\$5,000
73-1022	1953	Underground water well	6.00 Ac-Ft	10/16/2020	\$39,000	\$6,500
73-1022	1953	Underground water well	44.00 Ac-Ft	9/9/2020	\$110,000	\$2,500
73-1032	1953	Underground water well	1.00 Ac-Ft	1/18/2018	\$3,500	\$3,500
73-3867	1955	Underground water well	1.00 Ac-Ft	10/5/2020	\$6,500	\$6,500
73-3350	1956	Underground water well	2.00 Ac-Ft	7/31/2017	\$7,500	\$3,750
73-2401	1963	Underground water well	1.00 Ac-Ft	6/26/2020	\$9,800	\$9,800
73-1912	1960	Underground water well	764.00 Ac-Ft	5/31/2019	\$1,530,000	\$2,003
73-3922	1963	Underground water well	1.39 Ac-Ft	5/10/2018	\$3,800	\$2,736
73-2922	1963	Underground water well	100.00 Ac-Ft	3/29/2018	\$370,000	\$3,700
73-4039	1963	Underground water well	1.00 Ac-Ft	5/4/2017	\$4,250	\$4,250
73-3933	1963	Underground water well	1.00 Ac-Ft	3/6/2017	\$4,000	\$4,000
Average						\$4,581
Median						\$4,229



In the table above all water rights provided are located north of Highway 56 with the exception of four sales. Four of the sales with priority dates 1931, 1943, 1953, and 1953 are located south of Highway 56. I have included only 2017 and more recent sales because of the recent State of Utah Engineer indicating the concerns with basin 73 several years ago. I have color coated the indicated priority date schedule of the comparable water rights in the table above to correlate with the Cedar City Valley Groundwater Management Plan that was adopted in January 2021. The table above includes both small number of water rights per sale and larger number of water rights per sale. It is clear that some discount is associated with larger water right sales than smaller water right sales. Because there are relatively few water rights that transfer over any given year, I have relied on the data in the table above and my interviews with market participants, real estate professionals, and developers in determining a baseline for the 1934 or senior water rights. Most often water rights in basin 73 sell on a divisible of 1.0 acre-foot.

Historically water rights south of Highway 56 has sold for significantly more than water rights north of Highway 56. However, recently water rights that have sold north of Highway 56 have increased to a price point near south Highway 56 water rights. Further, my interview with several real estate professionals and market participants indicated that water rights south of Highway 56 have a similar market and price point as water rights north of Highway 56. Thus, my conclusion of water rights in basin 73 does not reflect any difference in market value if the water right is north of south of Highway 56.

Based on the recent and pending sales and my interviews with brokers, market participants, and developers active in water rights in the market area, the baseline for 1934 or senior water is **\$6,500 per acre-foot**, for ten or less acre-feet. Additionally, I have concluded that 1934 or senior water that sales in bulk with 10 or more acre-feet has an associated discount of 15% and water rights from July 26, 1934 to the present has a bulk discount of 20%.



Discount Associated with July 26, 1934 and Younger Water Rights

The State Engineer stated that the Cedar Valley basin is a critical management area and have adopted the Cedar Valley Groundwater Management Plan as of January 2021. My interviews have indicated that many market participants and real estate professionals do not know the full impact the Cedar Valley Groundwater Management Plan will have on water rights within basin 73. Real estate professionals interviewed have stated that they will not purchase or sale water rights to their clients because of the uncertainty, while others go through great lengths to ensure their client understands the potential that the water right could be vacated by the State. Additionally, some have indicated that they have represented individuals who have purchased one or two acre-feet of water that is 1935 and younger because they need one-acre foot and the price of several thousand dollars is worth the "risk". Clearly, there are individuals and real estate professionals on both sides of this dilemma, which is primarily concern over the uncertainty. However, with the adoption of the Cedar Valley Groundwater Management Plan, it is likely that some market norms become more established over the next couple of years.

Some of the most damning evidence that 1935 and younger water is not as marketable is that both Cedar City Corporation and Enoch City will not purchase any water that is 1935 or younger. Although this is public information, many citizens and real estate professionals do not know that Cedar City and Enoch City will not purchase or accept 1935 or younger water rights. I would expect this information to become more known over the next year or two. As knowledge that Cedar City and Enoch City will not accept 1935 or younger water become more known, it will most likely continue to negatively impact the pricing and marketability of 1935 or younger water rights.

Currently, the water right market is in a state of fluctuation but now that the State of Utah Engineer has adopted the Cedar City Valley Groundwater Management Plan, there most likely will be some balance created within the market for water rights. However, because the Cedar City Groundwater Management Plan is newly adopted it remains difficult to establish a baseline value or associated discount. While there appears to be a relatively strong market for 1934 and senior water rights, there have been relatively few sales of 1935 and younger water rights because of the great concern regarding the water rights.

As citizens, market participants, municipalities, real estate professionals, and developers become more knowledgeable concerning water rights within the Cedar Valley basin, water rights within the Cedar Valley basin should become much more stable and predictable. Although water rights of 1935 and younger are in a state of fluctuation, they are still a market associated with the water rights, albeit smaller and at a discount. My interviews have indicated that the strong majority will not currently purchase 1935 or younger water rights, but there has been several who indicated that if the water rights are discounted enough it may be worth the risk to purchase and see if the aquifer recharges, if other water sources are made available, or if the end user understands that there is an end time frame that they require the water. Ultimately, there still appears to be a market for 1935 or younger water, regardless of their specific reasoning such as ignorance, willing to accept the risk, only needs a small amount, etc.

The client requested that I provide a discount associated with 1935 and younger water. This is difficult because there have been relatively few sales of water rights with 1935 or younger water over the past several years and this market is very much volatile and unstable because of a significant amount of uncertainty and risk. Now that the State of Utah Engineer has adopted the Cedar City Valley Groundwater Management Plan, it is likely that the market will become more balanced moving forward. Additionally, because there is a significant lack of data in which to derive a definitive market based discount, I have relied on my interviews with market participants, municipalities, real estate professionals, and developers in determining an appropriate discount. The table below indicates the priority dates, number of sales within the priority date range, market value of 1 acre-foot of water within the priority date range and the percent of change from the baseline. The baseline for Cedar Valley basin (basin 73) is established in the analysis above and is **\$6,500 per acre-foot**. The noted percent of change in the table below is based off the specific priority date range and the baseline rate.



Water Right Sales Since 2017

Priority Date	Number of Sales	Market Value Per 1 Acre-Foot	%/Change from Base
Senior to July 25, 1934	25	\$6,500	
July 26, 1934 to December 31, 1935	2	\$5,000	-23.1%
January 1, 1936 to December 31, 1951	3	\$4,500	-30.8%
January 1, 1952 to December 31, 1954	4	\$4,000	-38.5%
January 1, 1955 to December 31, 1957	2	\$3,750	-42.3%
January 1, 1958 to Present	6	\$2,500	-61.5%

The indicated percentage of change is rather significant from the baseline of \$6,500 per acre-foot. The first initial decrease is rather significant which decreases 23.1%. After the initial decrease from the base of -23.1% the decrease is relatively small with a total ranging from -30.8% to -42.3%, or -11.5% for tiers three through five. However, the final tier has a drastic discount from the baseline of -61.5%, which is reasonable as the final tier is the most susceptible to being removed by the State. The above discount chart is based off the most reliable market data and interviews as of the effective date tempered with the fact that both Cedar City and Enoch City will not purchase any water rights with a priority date of 1935 or younger. Both Cedar City and Enoch City are major market participants in purchasing water rights and given that neither municipality will purchase 1935 or younger water rights is a major limiting factor in the market.



Auxiliary Water Rights

Auxiliary water rights for the purpose of this appraisal report are defined as underground water rights owned by individuals but are supplemental to an irrigation company water rights and delivery. In most cases the irrigation company owns the underground supplemental water and distributes it to the individual stockholder. Consequently, an auxiliary water right is difficult to identify.

According to Mr. Nathan Moses, Regional Engineer for the State of Utah, underground water rights and the Coal Creek Irrigation water rights are tied together and cannot be separated. Further, all water must be utilized on land approved for the Coal Creek Irrigation Company distribution system.

In order to estimate the value of a water right within an auxiliary source, it is necessary to determine its limitations and restrictions place on the water by the State Engineer. The underground water cannot be separated from the surface water right and together they must be used on the land under the Irrigation Company's distribution system. It is possible that municipalities and the Central Iron County Water Conservancy District (CICWCD) could utilize this water for residential use and thus the water may be more valuable to the municipalities and CICWCD. However, the change has never been approved and as such and the only possible user remains limited to agriculture.

I have not been able to find any market sales of just the water right for auxiliary water. I was able to find an expired listing (MLS #82715) with water right number 73-140 for 100 acre-feet of underground water that is supplemental and tied to 33 shares of Class B Coal Creek Irrigation Company. The underground water and the Coal Creek shares together represent 100 acre-feet of water. The water right requires that the Coal Creek water be used first and the balance of up to four acre-feet per acre is pumped from the well. The water right duty for Cedar Valley is 4 acre-feet per acre so this water right is adequate for 25 acres of irrigated cropland.

The expired listing price was \$145,000 for 100 acre-feet of water or \$1,450 per acre foot. This is significantly lower than other market sales of underground water rights and normally would have had an immediate market opposed to having an extended marketing period and ultimately expiring from the market with no purchase. Since it is restricted to agriculture irrigation it is necessary to look at the marketability and its impact on value.

I thoroughly searched the MLS, interviewed real estate developers, farmers, and other real estate professionals to identify water right sales and cropland sales. Irrigated cropland in Cedar Valley is influenced by the contributory value of the water right and possible development potential, so pure agriculture cropland tends to sale for less than irrigated cropland in the path of growth or that has sufficient water to place to a residential use.

I have not been able to identify any auxiliary water sales in the Cedar Valley market and as such I have relied on the limited data from the market that is tempered with my exhaustive interviews with irrigation companies, real estate professionals, developers, etc. The expired listing price indicated \$1,450 per acre foot, which is likely the high end of the range as it did not sale. Given the current demand for water but also considering the restrictions placed on the water and that the expired listing was listed in 2018, I concluded market value for an auxiliary water right is **\$1,450 per acre foot**.



Cedar Valley Irrigation Companies

There are multiple irrigation companies that receive nearly all their water from Coal Creek but seven of the companies are discussed in this appraisal report. The water rights for these companies are defined in the Coal Creek Decree and outlined on the Division of Water Rights website. The water rights for each of these companies vary by priority, amount of water delivered, and length and time of irrigation.

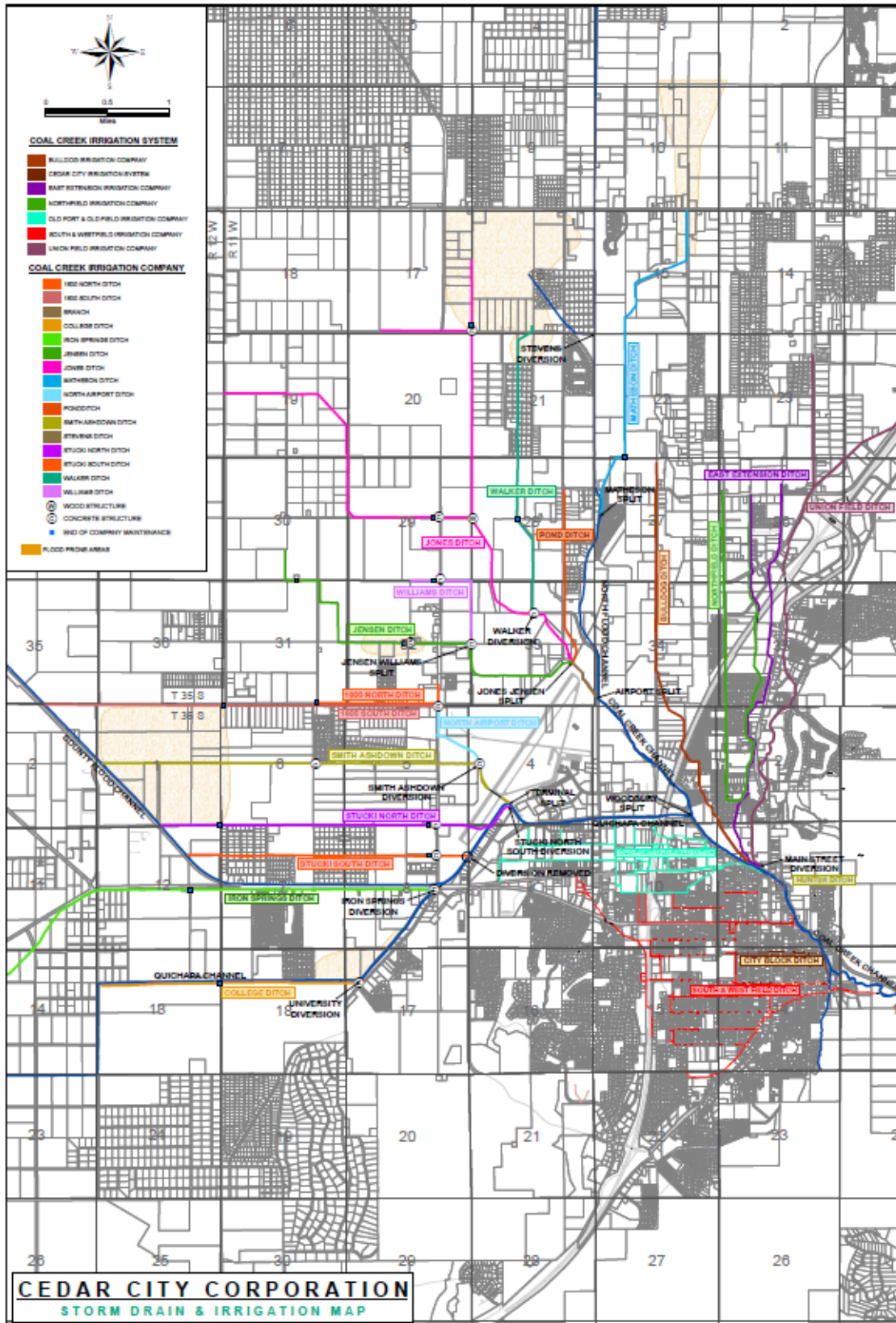
The shares of water stock in these seven companies usually sell with the land consequently it is very difficult to find sales of just the water shares. Since the water from Coal Creek is used primarily for agriculture irrigation, the highest and best use is for agriculture and the value therefore will be based on its contribution to the agriculture value of the land. The value of irrigated cropland under each of these irrigation companies should reflect the difference in dependability, amount of water delivered, and its season. In a pure agricultural situation a study of land sales would be a good method of verifying the water value in each of these irrigation companies. However, the population in the Cedar Valley has been significant enough that the land sales reflect the demand for development enough that the pure agriculture value has become obscure. Therefore, the irrigated land sale approach to conclude water value is not considered viable.

Based on the information available, I have ranked the irrigation companies in order, with the best and most reliable water supply noted first and the lease dependable ranked last. This ranking assists in determine credible results. Below are the companies within Coal Creek ranked in order followed by a Coal Creek Irrigation Company map as to the specific location of each irrigation company:

- 1) South and West Field Irrigation Company;
- 2) Union Field Irrigation Company;
- 3) East Extension Irrigation Company;
- 4) Northfield Irrigation Company;
- 5) Old Fort and Old Field Reservoir Irrigation Company;
- 6) Northwest Field Irrigation Company; and,
- 7) Coal Creek Irrigation Company



Cedar Valley Irrigation Companies Location Map





South and West Field Irrigation Company

President:	Mr. Paul Bittmenn 435-586-2953
Total Shares of Stock:	745.548 shares per company information. 688.61 shares noted by Division of Water Rights.
Source:	Coal Creek, unnamed springs, Wood Pond, Jim Urie Spring, and Springs
Storage:	South and West Field Irrigation Company does not have any storage reservoirs.
Method of Delivery:	Ditches including curb and gutter and some pipelines. Much of the water is applied by flood irrigation.
Typical Shares Per Acre:	One
Delivery Area:	The ditch system delivers water to the downtown Cedar City area. The south ditch irrigates the south part of downtown and the west ditch irrigates the north part of downtown.
Delivery Per Share:	Water delivery through the summer months is the most consistent of all irrigation companies in Coal Creek. The stockholders get one turn per week and the length of the turn is based on the number of shares owned. The water is divided among the ditches so that the stockholders get similar amounts of water delivered for each share of stock.
Water Share Sales:	I interviewed Mr. Paul Bittmenn, President, regarding historical water share sales. Mr. Bittmenn stated that there have been several water shares that have transferred over the past several years. Additionally, I am aware of some historical water right sales. Below is a summary of the water shares transactions that I am aware of: 2006 - \$500 to \$1,000 per share 2008 - \$1,320 per share 2010 - \$1,000 per share 2012 - \$1,000 per share 2015 - \$1,000 per share 2018 - \$1,000 per share 2019 - \$1,000 per share 2019 - \$1,000 per share 2021 - \$1,000 per share 2021 - \$1,000 per share 2021 - \$1,000 per share 2021 - \$1,000 per share
Conclusion of Market Value:	Based off my interviews, historical water share sales, and that the underground water rights have increased in both price and demand over the past several years, market value for stock in the South and West Field Irrigation Company as of March 3, 2021 is \$1,100 per share .



Union Field Irrigation Company

President:	Mr. Paul Nelson 435-586-6498
Total Shares of Stock:	532 shares.
Source:	Coal Creek and a well.
Method of Delivery:	Open ditch.
Typical Shares Per Acre:	0.5 to 0.75
Delivery Area:	Farmland north and east of Cedar City and on the east side of Enoch.
Delivery Per Share:	Union Field Irrigation delivery is high in the spring but declines throughout the middle and late summer, although historically there has been some delivery throughout the summer. This company also has an underground water right (73-2056) for 5.0 cfs or 800 acre-feet with a priority date of 1963. The underground water right is used to supplement the stream flow during the middle and late summer as needed. Although this water is available for supplemental, the young priority date decreases its market value.
Water Share Sales:	I interviewed Mr. Paul Nelson, President, regarding historical water share sales. Mr. Nelson stated that he is aware of a couple of water shares that have transferred over the past several years but would not provide any information regarding pricing, grantor, or grantee. Further, Mr. Nelson stated, "It is none of my or anyone else's business as to the value within the irrigation company." Due to the lack of information available, I have relied on my experience and judgement, a previous appraisal report provided to me by the client, and my interview with Mr. Brent Hunter. Mr. Hunter indicated that he was aware of a sale of water rights within Union Field within the past several years at \$2,000 per share.
Conclusion of Market Value:	<p>Union Field has underground water rights in a well that are supplement to the irrigation. Since pre-1934 underground water rights are selling between \$5,000 and \$7,000 per acre-foot which is more than surface irrigation water and because the well provides mid and late season irrigation the shares in this irrigation are more valuable. However, the water right has a priority date of 1963 and based off the Cedar City Valley Groundwater Management Plan that was adopted January 11, 2021, a priority date of 1963 is in the first tier to lose water rights due to depletion of the aquifer. Thus, the supplemental water does not significantly impact the value.</p> <p>Considering my interviews, familiarity within the market and noted sale provided by Mr. Hunter, surface water right value is around \$1,000 per share. Additional value is created by the underground water rights in the well but the young priority data limits its marketability and value. Applying the concluded market value of underground water rights developed in a prior section of this appraisal report, market value of the 1963 priority date underground water is \$2,500 per acre foot. Although summing the noted conclusions would indicate \$3,500 per share, it is apparent that a discount is associated with the water. Deducting 20% is reasonable based on my interviews and the previous water share sale, concluding market value for</p>



stock in the Union Field Irrigation Company as of March 3, 2021 is **\$2,800 per share.**



East Extension Irrigation Company

President:	Mr. Samuel Bauer – Water Master 435-586-4960
Total Shares of Stock:	
Class 1:	129 shares
Class 2 & 3:	287.5 shares
Class 4A:	47.5 shares of high water
Total:	778.50 shares
Source:	Coal Creek
Storage:	East Extension Irrigation Company does not have any storage reservoirs.
Method of Delivery:	Irrigation ditches
Delivery Area:	The ditch system delivers water to the northern periphery of Cedar City and terminates near 3000 North and 100 East.
Delivery Per Share:	The amount of water delivered to this company is highest during spring and early summer with reduced flow during mid-summer, albeit Class 1 water continues throughout fall.
Water Share Sales:	I interviewed Mr. Samuel Bauer, President, regarding historical water share sales. Mr. Bauer stated that there have been several sales within the past several years but he is unaware of the sales price. Mr. Bauer indicated that the sales that have occurred have been asked to remain confidential. The last sale Mr. Bauer recalls a sales price of occurred in 2001 at a price of \$1,000 per share.
Conclusion of Market Value:	Based off my interviews, historical water share sales, and that the underground water rights have increased in both price and demand over the past several years, market value for stock in the East Extension Irrigation Company as of March 3, 2021 is as follows: Class 1 \$1,350/share Class 2 & 3 \$1,650/share Class 4A \$500/share



Northfield Irrigation Company

President: Mr. Lloyd LeFever
435-559-1604

Total Shares of Stock:
 Class 1: 129 shares
 Class 2 & 3: 287.5 shares
 Class 4A: 47.5 shares of high water
 Total: 778.50 shares

Source: Coal Creek

Storage: Northfield Irrigation Company does not have any storage reservoirs.

Method of Delivery: Ditches with water applied by flood irrigation.

Delivery Area: The ditch system delivers water to the northern periphery of Cedar City and terminates near 3000 North and 400 West.

Delivery Per Share: Water for irrigation is permitted from March 15th to November 30th each year, albeit livestock water is allowed all year but is not always available.

Water Share Sales: I interviewed Mr. Lloyd LeFevre, President, regarding historical water share sales. Mr. LeFevre was unaware of any water share transfer within the past several years. The last sales I am aware of are as follows:
 May 12, 2006 – Class 1 \$500 to \$1,000/share, Class 3 \$350 to \$700/share, and Class 4A \$150 to \$300/share.
 2008 – Class 1 \$1,192/share, Class 2 & 3 \$1,890/share, and Class 4A \$540/share.
 2010 – Class 1 \$1,000/share, Class 2 & 3 \$1,500/share, and Class 4A \$450/share.

Conclusion of Market Value: Based off my interviews, historical water share sales, and that the underground water rights have increased in both price and demand over the past several years, market value for stock in the Northfield Irrigation Company as of March 3, 2021 is as follows:

Class 1	\$1,350/share
Class 2 & 3	\$1,650/share
Class 4A	\$500/share



Old Fort and Old Field Reservoir Irrigation Company

President:	Mr. Jason Dodds 435-590-7661
Total Shares of Stock:	447.25 shares – Per Mr. Jason Dodds, President. However, according to the determination of water rights on Coal Creek the water shares there are 473.0 shares.
Source:	Coal Creek Springs
Storage:	Old Fort and Old Field Reservoir Irrigation Company does not have any storage reservoirs.
Method of Delivery:	Open ditches.
Delivery Area:	The ditch system delivers water to land north of Industrial Road and south of Cedar City Airport and from Main Street to Aviation Way.
Delivery Per Share:	Most of the water delivered to Old Fort and Old Field Reservoir Irrigation Company is from spring to early summer with limited to no water available in mid to late summer.
Water Share Sales:	<p>I interviewed Mr. Jason Dodds, President, regarding historical water share sales. Mr. Dodds stated that there have been few water shares that have transferred over the past several years. Mr. Dodds stated that the last two sales he is aware of is as follows:</p> <p>November 6, 2017 – Five shares sold for \$1,000 or \$200/share January 26, 2018 – 31.25 shares sold for \$15,625 or \$500/share</p> <p>Mr. Dodds further stated that the purchase of the 2018 transaction was Cedar City Corporation and, in his opinion, Cedar City Corporation purchased the water shares at a price point higher than economically feasible for farmers. As such, it is Mr. Dodds opinion that there are essentially two markets for water shares in the Old Fort and Old Field Reservoir Irrigation Company, one for farming and one for the potential of repurposing the water for recharging. However, it is noted that Mr. Dodds did not believe that a recharge effort is the highest and best use of the water. I did contact Mr. Nathan Moses, Regional Engineer for the Department of Water Rights, and Mr. Moses stated that acquiring surface water to recharge depletion has proven to be successful and it may be possible to recharge an aquifer with surface water but no application has been submitted on water within this irrigation company and therefore it is unknown if recharging could be successful.</p>
Conclusion of Market Value:	Based off my interviews, historical water share sales, and that the underground water rights have increased in both price and demand over the past several years, market value for stock in the Old Fort and Old Field Reservoir Irrigation Company as of March 3, 2021 is \$500 per share .



Northwest Field Irrigation Company (Bulldog Ditch Association)

President:	Mr. Brent Hunter 435-590-8445
Total Shares of Stock:	541.3 Class 4A
Source:	High water runoff from Coal Creek
Storage:	Northwest Field Irrigation Company does not have any storage reservoirs.
Method of Delivery:	Open ditches
Typical Shares Per Acre:	One
Delivery Area:	The ditch system delivers water to land north of Coal Creek and around Bulldog Road.
Delivery Per Share:	Most water delivered is during April, May, and June. Due to being high water rights only makes the water unreliable and difficult to predict. Many of the stockholders own a well and underground water rights to supplement this right during dry years and late seasons.
Water Share Sales:	<p>I interviewed Mr. Brent Hunter, President, and Mr. Rusty Aiken, Secretary regarding historical water share sales. Both Mr. Hunter and Mr. Aiken stated that they are unaware of any water shares that have occurred over the past three to five years. However, I am aware of the following historical water right sales:</p> <ul style="list-style-type: none">2004 - \$300 per share2006 - \$300 to \$600 per share2008 - \$300 per share2010 - \$250 to \$300 per share2012 - \$350 per share2015 - \$300 to \$350 per share <p>Further, both Mr. Hunter and Mr. Aiken stated that Cedar City Corporation will accept Northwest Field Irrigation water as part of development potential.</p>
Conclusion of Market Value:	Based off my interviews, historical water share sales, that Cedar City accepted surface water rights in lieu of underground, and that the underground water rights have increased in both price and demand over the past several years, market value for stock in the South and West Field Irrigation Company as of March 3, 2021 is \$450 per share .



Coal Creek Irrigation Company

President:	Mr. Ramon Prestwich 435-463-2257
Total Shares of Stock:	9,326 shares – Minority number of shares are Class 4A and majority number of shares are Class 4B
Source:	Coal Creek remaining after diversions
Storage:	Coal Creek Irrigation Company does not have any storage reservoirs.
Method of Delivery:	Ditches with water applied by flood irrigation.
Delivery Area:	The water is delivered to farmland located in the northwest valley.
Delivery Per Share:	Water delivery is high water only, meaning that all irrigation have a priority before Coal Creek Irrigation. According to Mr. Prestwich, over the past decade there has been two years with insufficient water to provide a single shareholder any water. Further, so many shares are within Coal Creek Irrigation, that even in good years most share holders only receive one watering annually.
Water Share Sales:	I interviewed Mr. Ramon Prestwich, President, regarding historical water share sales. Mr. Prestwich stated that he is unaware of any water shares that have transferred over the past several years. Further, Mr. Prestwich stated that the only significant market participant for Coal Creek Irrigation Water is Cedar City Corporation. Mr. Prestwich stated that Cedar City Corporation purchased 20 shares in 2017 for \$50 per share for Class 4A water. Mr. Prestwich stated that any purchase of Coal Creek Irrigation water shares has become speculative because of the lack of consistency in the water.
Conclusion of Market Value:	Based off my interviews, historical water share sales, and that the underground water rights have increased in both price and demand over the past several years, market value for stock in the Coal Creek Irrigation Company as of March 3, 2021 is as follows:
Class 4A	\$50/share
Class 4B	\$25/share



Addenda

Cedar Valley Groundwater Management Plan – Adopted January 11, 2021



SPENCER J. COX
Governor
DEIDRE M. HENDERSON
Lieutenant Governor

State of Utah
DEPARTMENT OF NATURAL RESOURCES

BRIAN C. STEED
Executive Director
Division of Water Rights
TERESA WILHELMSSEN
State Engineer/Division Director

January 11, 2021

RE: Notice of Final Adoption

Dear Water Users:

The Cedar City Valley Groundwater Management Plan was adopted January 11, 2021. The objectives of this groundwater management plan are to ensure groundwater withdrawals do not exceed safe yield, to safeguard the physical integrity of the aquifer, and to protect water quality. A copy of the plan is available on the Division's website at www.waterrights.utah.gov.

The adoption of this plan is subject to Section 73-5-15 Utah Code, which allows an individual to challenge any aspect of the plan by filing a complaint in the appropriate district court within 60 days after the date of this notice.

We appreciate everyone who participated at public meetings and submitted comments during the development of this plan. We look forward to your continued support.

Sincerely,

Teresa Wilhelmsen, P.E.
State Engineer





**CEDAR CITY VALLEY
GROUNDWATER MANAGEMENT PLAN**

Adoption Date: January 11, 2021

Introduction

The objectives of this groundwater management plan are to ensure groundwater withdrawals do not exceed safe yield, to safeguard the physical integrity of the aquifer, and to protect water quality in the groundwater basin of Cedar City Valley in Iron County. The intent of this plan is to provide specific management guidelines for this area pursuant to Section 73-5-15 of the Utah Code.

Studies indicate average annual groundwater withdrawals in Cedar City Valley exceed safe yield, making this groundwater basin a critical management area as defined in Section 73-5-15.1 of the Utah Code. The safe yield for the groundwater basin is estimated to be 21,000 acre-feet per year, while the current average depletion from the groundwater basin is estimated to be 28,000 acre-feet per year. If all groundwater rights that are approved or perfected were to be used the total depletion from the groundwater basin would be approximately 50,000 acre-feet per year. It is estimated that average actual depletion must be reduced by 7,000 acre-feet per year in order to balance recharge and depletion amounts in this groundwater basin.

Affected Area

This groundwater management plan applies to the groundwater basin within the surface drainage area of Cedar City Valley in Iron County. The groundwater management plan area is more particularly described as Water Right Area 73 and is shown in Figure 1.

Priority Regulation

In order to reduce actual depletion to balance recharge, water rights will be regulated according to priority and regardless of a water right's nature of use. Regulation will follow the schedule described in Table 1. A regulated water right will no longer be authorized to divert water beginning on the target date corresponding to the phase wherein the water right is to be regulated. A list of groundwater rights and corresponding priority dates and depletion estimates are posted on the Division of Water Rights website.

The regulated priority date for a given phase in Table 1 may be adjusted by the State Engineer to a later priority date based on the average annual artificial recharge or reductions in depletions that occur within the groundwater basin during the 10 years prior to the target date. Each year in the annual groundwater distribution system report, the State Engineer will report on the status of the aquifer, the estimated annual depletion resulting from groundwater withdrawals, amount and disposition of artificial recharge, and any adjustments to the regulated priority date for a given phase. Recharged water under projects for which a recovery application has been approved and actively pursued will not be considered in adjusting the regulated priority date for a given phase.



Table 1 Priority Regulation Schedule

Phase	Target Date	Priority Dates Regulated Through	Acre-Feet Reduction in Estimated Depletion	Cumulative Acre-Feet Reduction in Depletion	Remaining Depletion (acre-feet)
1	January 1, 2035	December 31, 1957	5,434	5,434	45,530
2	January 1, 2050	December 31, 1954	7,330	12,764	38,200
3	January 1, 2060	December 31, 1951	8,814	21,578	29,386
4	January 1, 2070	December 31, 1935	6,761	28,339	22,625
5	January 1, 2080	July 25, 1934	1,518	29,857	21,107

Depletion Calculations

For purposes of this groundwater management plan, annual depletion from irrigation will be calculated using an annual crop survey prepared by the distribution system commissioner. The crop survey will tabulate the irrigated acreage for every crop type in the management plan boundary. It will include acreage supplied by groundwater and acreage supplied by both surface and groundwater sources. The crop survey will be published every year in the annual groundwater distribution system report. For irrigated acreage supplied by both surface and groundwater sources, water users may be required to meter the amount of groundwater diverted to that acreage so that the groundwater depletion attributable to this acreage can be estimated.

Entities with municipal use will be required to report the following on an annual basis:

1. Amount of water diverted from all sources
2. Amount of water depleted from the municipal uses

Depletion due to municipal use will be the groundwater diversion minus any return flow resulting from the groundwater portion of wastewater effluent returning to the groundwater system and minus any return flow resulting from the groundwater portion of water used for lawn and garden irrigation and any other municipal purposes.

Depletion due to any other uses will be evaluated on an individual basis. Water users will be required to report diversions and depletions associated with these uses as directed by the State Engineer.

Artificial recharge due to recharge projects will be considered as an accretion of groundwater and will be a part of the depletion calculations. To be considered in the depletion calculations, the artificial recharge must be reported to the Division of Water Rights under a recharge permit approved by the State Engineer. The recharged water, if not diverted and left in its natural course, must not have previously recharged the groundwater aquifer.



Voluntary Arrangements

Pursuant to Subsection (4)(b) of Section 73-5-15 of the Utah Code, in consultation with the State Engineer, water users may agree to participate in a voluntary arrangement to manage withdrawals on a system other than by priority date. Any voluntary arrangement shall be consistent with existing statute and must not affect the rights of water users who do not agree with or do not participate in the voluntary arrangement.

The State Engineer has approved applications for the Central Iron County Water Conservancy District (CICWCD) to import water from Pine and Wah Wah Valleys to its service area in Cedar City Valley. Presuming the project is constructed and successfully imports water to this basin, a possible effect of this alternative water supply will be to increase recharge to the groundwater basin. The State Engineer will monitor development of this project which may be used in a voluntary arrangement between water users to offset future priority regulation.

Voluntary Arrangements associated with this Groundwater Management Plan will be posted on the State Engineer's website.

Adaptive Management

To determine the effectiveness of the plan, depletion calculations and groundwater level measurements will be used. As groundwater depletions approach safe yield it is anticipated that groundwater levels will stabilize with time. The phased reductions in depletions over long intervals as specified in Table 1 provide an opportunity for groundwater levels to respond to changes in groundwater depletions. A reduction in the rate of groundwater level decline over time will be used as an indicator of approaching equilibrium of depletion versus safe yield. If during any phase of the plan it is determined by the State Engineer that safe yield has been reached, future reductions in depletion will not be implemented. This plan may also be amended at any time in the same manner through which it was adopted.

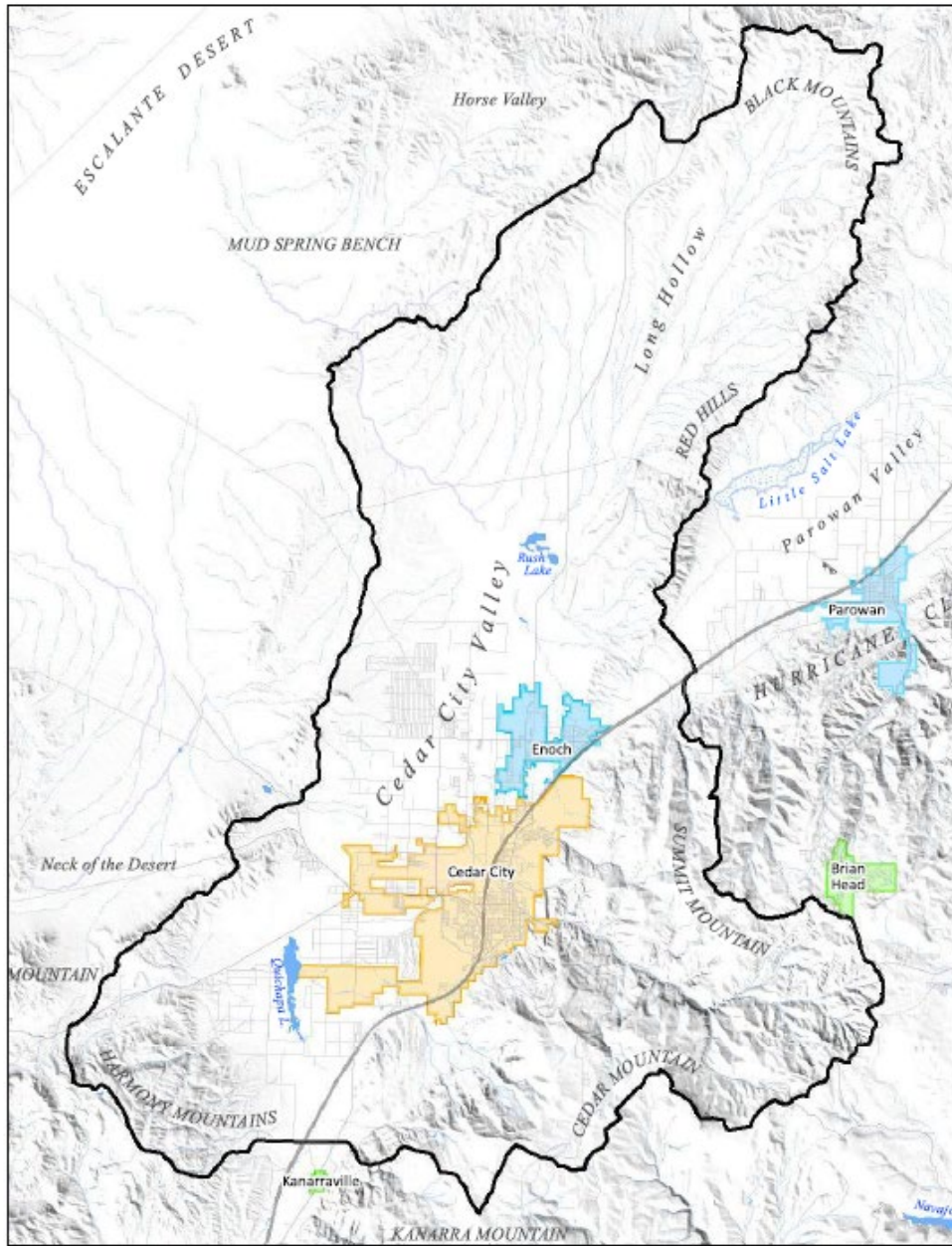


Figure 1
Cedar City Valley Groundwater Management Plan Area

Management Plan and Area 73 Boundary



Glossary of Terms

Appraisal – (noun) The act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.*

Appraisal Practice – Valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review.*

Appraisal Review – (noun) the act or process of developing an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment; (adjective) of or pertaining to an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.*

Appraiser – One who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.*

Assessed Value – The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.

Assignment – A valuation service that is provided by an appraiser as a consequence of an agreement with a client.*

Assignment Elements – Specific information needed to identify the appraisal or appraisal review problem: client and any other intended users; intended use of the appraiser's opinions and conclusions; type and definition of value; effective date of the appraiser's opinions and conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.*

Cash-Equivalent Price – The price of a property with nonmarket financing expressed as the price that would have been paid in an all-cash sale.

Client – The party or parties (i.e., individual, group, or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.*

Cost – The actual or estimated amount required to create, reproduce, replace, or obtain a property.*

Effective Date – The date to which an appraiser's analyses, opinions, and conclusions apply; also referred to as date of value.*

Expert Witness – (1) A person qualified to give expert testimony. (2) A witness qualified by knowledge, skill, experience, training, or education to provide a scientific, technical, or other specialized opinion about the evidence or a fact issue. Also termed *skilled witness*.

Exposure Time – An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.*

Extraordinary Assumption – An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.*

Feasibility Analysis – A study of the cost-benefit relationship of an economic endeavor.*

Fee Simple Estate – Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.



Highest and Best Use – The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Hypothetical Condition – A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.*

Intended Use – The use(s) of an appraiser’s reported appraisal and appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment.*

Intended User – The client and any other part as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment.*

Investment Value – The value of a property to a particular investor or class of investors based on the investor’s specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.

Jurisdictional Exception – An assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.*

Leased Fee Interest - The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest – The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Market Conditions – An element of comparison in the sales comparison approach; comparable properties can be adjusted for differences in the points in the real estate cycle at which the transactions occur. Sometimes called a *time adjustment* because the differences in dates of sale are often compared, although that usage can be misleading because property values do not change merely as the result of the passage of time.

Market Rent – The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restriction of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

Market Value – A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal.*

Market Value of the Going Concern – The market value of an established and operating business including the real property, personal property, financial assets, and the intangible assets of the business.

Marketing Time – An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Personal Inspection – A physical observation performed to assist in identifying relevant property characteristics in a valuation service.*

Physical Characteristics – Attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgment.*



Price – The amount asked, offered, or paid for a property.*

Prospective Market Value “As Complete” and “As Stabilized” – A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. Prospective value opinions are intended to reflect the current expectations and perceptions of market participants, based on available data. Two prospective value opinions may be required to reflect the time frame during which development, construction, and occupancy will occur. The prospective market value-as completed-reflects the property’s market value as of the time that development is expected to be completed. The prospective market value-as stabilized-reflects the property’s market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties.

Real Estate – (1) An identified parcel or tract of land, including improvements, if any.* (2) Land and all things that are a natural part of the land (e.g., trees, minerals) and things that have been attached to the land (e.g., buildings and site improvements) and all permanent building attachments (e.g., mechanical and electrical plant providing services to a building) that are both below and above the ground.

Real Property – The interests, benefits, and rights inherent in the ownership of real estate.*

Relevant Characteristics – Features that may affect a property’s value or marketability such as legal, economic, or physical characteristics.*

Report – Any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment.*

Scope of Work – The type and extent of research and analyses in an appraisal or appraisal review assignment.*

Use Value – The value of a property assuming a specific use, which may or may not be the property’s highest and best use on the effective date of the appraisal. Use value may or may not be equal to market value but is different conceptually.

Value – The monetary relationship between properties and those who buy, sell, or use those properties, expressed as an opinion of the worth of a property at a given time.*

* *Uniform Standards of Appraisal Practice (USPAP).*



Qualifications and Resume

Cody Hymas, MAI, SRA
337 South Main Street, Suite 122
Cedar City, Utah 84720
(435) 313-1444
cody@hymasappraisal.com

Experience

- | | |
|---|--------------|
| Hymas & Associates/Owner
General Certified Appraiser
Cedar City, Utah | 2018-Present |
| <ul style="list-style-type: none"> ▪ Routinely complete appraisal reports including: easement, sale, lease, condemnation on various residential, commercial, industrial, retail, subdivision, vacant land and agriculture land ▪ Completed and prepared hundreds of economic and market analyses for the Southern Utah and Nevada areas, to denote the highest and best uses of the land basis on changing market and economic climates ▪ Performed more than 100 complex commercial appraisal assignments with analyzation of operating and financial statements ▪ Managed and maintained demanding deadlines and diverse clients in a positive, professional, and time sensitive manner ▪ Provided expert advice and guidance to staff and appraisers about USPAP and best appraisal practices | |
| Morley and McConkie Appraisals and Consulting
General Certified Appraiser
Cedar City, Utah | 2014-2018 |
| <ul style="list-style-type: none"> ▪ Perform hundreds of highly complex and controversial commercial real estate appraisals ▪ Perform detailed reviews of appraisals to determine whether appraisal principles techniques and procedures are used properly, and if appraisals conform to federal laws and regulations ▪ Consistently engage with local and state governments concerning land laws, regulations, zoning requirements, and ordinances, in order to complete assignments most accurately and reliably ▪ Frequently utilize automated statistical and analytic analysis to complete appraisal reports | |
| Valbridge Property Advisors / Auble, Jolicoeur & Gentry, Inc.
General Certified Appraiser
Spokane, Washington | 2012-2014 |
| Morley & McConkie Appraisal and Consulting
General Certified Appraiser
St. George, Utah | 2008-2012 |

Education

- | | |
|---|--------------|
| Over 500 total hours of Real Estate Appraisal Education including: | 2001-Present |
| <ul style="list-style-type: none"> ▪ National USPAP Update 2020-2021 ▪ Complex Litigation Appraisal Case Studies ▪ Unconscious Bias Virtual Session for the Appraisal Foundation ▪ St. George Symposium 2020 ▪ The Appraiser as an Expert Witness: Preparation & Testimony ▪ Condemnation Appraising: Principles & Applications ▪ Using Spreadsheet Programs in Real Estate Appraisals ▪ Introduction to Green Buildings: Principles & Concepts ▪ Online Forecasting Revenue ▪ County Board of Equalization Hearing Officer Training ▪ Residential and Commercial Valuation of Solar ▪ Nevada Appraisal Law ▪ Supervisory Appraiser / Appraiser Trainee Course ▪ General Demonstration Report Writing | |



- Advanced Concepts and Case Studies
- Advanced Market Analysis & Highest and Best Use
- Advanced Income Capitalization
- General Appraiser Site Valuation and Cost Approach
- New Residential Market Conditions
- Statistics Modeling and Finance
- General Appraiser Market Analysis & Highest and Best Use
- General Appraiser Report Writing and Case Studies
- General Appraiser Sales Comparison Approach
- General Appraiser Income Approach Part 1 and Part 2
- Business Practices and Ethics
- Scope of Work

Qualifications

- Certified General Appraiser – State of Utah Department of Commerce – License #5504978-CG00

Membership / Affiliations

- MAI Designated Member Appraisal Institute
- SRA Designated Member Appraisal Institute
- Appraisal Institute Utah Chapter Education Committee Member - 2015

Expert Witness Testimony

- Qualified as Expert Witness in Utah District Court
- Retained on Numerous Disputed Cases that Settled Prior to Court

Property Types Appraised:

Apartments, Churches, condominiums, dormitories, easements, flex industrial, golf and country clubs, hotels, land development, agriculture, leasehold interest, medical clinics, offices, office/warehouse, recreational clubs, residential subdivisions, resorts, restaurants, retail, special purpose properties, vacant industrial, commercial and residential land, veterinary clinics, warehouses, water rights.

Assignments also include arbitration, environmental contamination, feasibility and market studies, litigation, partial interests/easements and special benefit studies.

License

