New Cache Marketing Strategy

PRTI Meeting
December 13, 2019
New Cache is driving this...

Ditch Company Goals:

- Develop a “water market” that can provide another business option for shareholders
  - More flexibility for water assets
  - Retain Ownership in Ag.
  - Income Potential for shareholders
  - Wet Water without Permanent Dry-up
  - Preserve / protect ditch company operations.
Dry-up
IS DRY-UP??!!

• ...Dry-up is coming....BUT HAS NOT YET FULLY COME!

• Shareholders are already facing ‘dilemma’.....
  • Continue irrigating
  • “Cash in” and cease irrigating and dry-up farm

• Goal of NCWMS is to provide another option that involves.....
  • Irrigate some years
  • Accept cash for water in other years.
  • FARM REMAINS IRRIGATED, not permanently dried-up
Concept:

Share water…. Rather than sell water

- Water to come from Stockholders
  - Willing to “share” water supply
    - When being shared accept cash payment
    - When not being shared, continue irrigating

- End User: M&I user willing to share water...not own it
  - Willing to enter into perpetual sharing agreement rather than own and buy and dry.

- Project will require:
  - [Sharing Agreement].... Can we develop acceptable terms!
  - [Change Case]... Can we get acceptable decree conditions allowing water to go back and forth
NCWMS

Team members:
  Greg Kernohan  (Ducks Unlimited)
  Dan Brown     (Fischer, Brown, Bartlett and Gunn)
  Brett Bovee    (WestWater Research, LLC)
  Jennifer Ashworth  (White Sands Water Engineers)

Grant Funding total of $407,907
  Bureau of Reclamation Water Smart Grant = $192,950
  Colorado Water Conservation Board = $214,957
Why New Cache?

- Location/Facilities
  - Proximity of canal to Poudre and South Platte
  - 4 reservoirs

- Water rights portfolio
  - Senority of supplies

- Development is imminent

- New Cache is being “targeted” by M&I users

- Willing leadership / stockholder base
Current discussions - Compensation

- Option A
  - Perpetual lease
  - 3 tiers
    - A1 - Up front payment
    - A2 - Every year
    - A3 - Water use years
      - 6 out of 20 years
      - Max of 3 consecutive

- Option B
  - B1 – Water use years only
NCWMS

A1

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

A2

A3

B1

6 11 12 13 17 18
Current discussions - Issues

- Price / payments
- Logistics
  - When does M&I User need to decide?
- Landlord/tenant
- Tax implications
- 1031 Exchange potential
Thank you!
Questions?