Transcript

April 10, 2025, 12:30PM

Marc Spezialy 0:03

If my admin.

Good morning.

I'd like to welcome you all to our second quarter fiscal year 2025 earnings call.

For those of you that are listening on the phone, I think most of you have connected through this through our website, but we do have a deck for this that is on our landing page of the website.

So if you go to purecyclewater.com, you can click on that link and that'll take you directly to the presentation and I can walk you through the presentation.

As we move through our slides with me, today is our CFO, Mark Bezalli, as well as our controller, Serena Finnegan.

So I'd like to thank them for joining us early morning and really want to welcome you all to the call. I'll get started.

Well, first thing we'll do is.

And it's a slide here.

Talk a little bit about our forward-looking statements, statements that are not historical facts contained or incorporated by reference in this presentation are forward-looking statements.

I think you're all familiar with the forward-looking statements.

With that said, certainly want to highlight our leadership team.

The success was driven by the people that we get to work with, both in terms of our management as well as our Board of Directors. We have a great board of directors. Which bring a tremendous amount of experience and guide and leadership to the company and it certainly helps to to be at this the helm in calm waters and and and rough seas. And I'm not exactly sure where we are with this market, but it it is comforting to.

Have a great leadership team as well as a great board of directors to help Stewart the company through.

Managing these assets.

I want to jump right into the financials here and see if we can't highlight our second quarter. We had a terrific quarter. So we really want to highlight our financial

performance again, just continuing to execute on monetizing our assets, both our water assets as well as our land.
Assets and then our single family rental assets. So taking a look at it.
Quarter Q2 quarter about $4 million in revenue about a million and a half.
About a 38% gross margin.
Jen a large portion of that margin is really gonna be from the royalty income.
We continue to see a very strong performance out of our mineral royalties that we have. When we acquired the Sky Ranch property, really flowing down to the bottom line with continued net income and earnings per share.
So both our three months and our six months year to date were about 10 million dollars $9.7 million in revenue.
New gross profit again a very solid growth mark, gross margin around 50 plus percent and then continuing growth in our earnings per share.
Taking a look at that, it's Q / Q and so this kind of gives you a performance as most of you know who follow the company or second quarters usually are most our softest quarter and really is a seasonal issue. You know we are in the construction bus.
Where we construct and deliver lots for our home builder customers, and that's a little bit more challenging in Colorado in the winter months, but.
Again, we see, you know, solid performance on this quarter.
Over our trending quarters for the last three years, the the profit and that's probably going to be a seasonally adjusted issue and that's kind of a timing of how we're recognizing some of this revenue 100% complete basis, but nothing really of concern on the Q / Q.
On the gross profit, just really continuing to develop these lots, we've got 3 phases under construction.
At simultaneously and so really investing in that segment for us so that we can continue to drive revenue.
Taking a look at net income again, that's really going to be a solid performer, really indicative of both having three phases under construction at the same time, as well as some of that royalty income that's coming in from oil and gas just because that's a high you know.
It's almost 100% profit margin for us on that.
So we get to roll that right down to the bottom line on that and then continued growth on earnings per share.
So that's a quarter over quarter.

Performance on earnings per share.
This will really drive into year to date and really kind of showing you year to date both in terms of prior fiscal year as well as our guidance.
We had guidance for fiscal 25 at around 30 close to $31 million.
We're about $10 million into that and that's about where we are. You know, we're on track to meet that goal knowing that Q2 is that seasonally adjusted and Q3 and Q4 are usually our.
High A high growth area.
Is just because of how we sequence our lot deliveries on each of these phases.
Taking a look at gross profit also you know we're on track for that in terms of our guidance as well.
Your date.
Net income.
Again, you know really solid.
Continuing performance in all segments of the business, whether that's land development, water utilities as well as single family rentals and then earnings per share.
So we had about $0.20 earnings per share a little bit shy of about 50% of our guidance, but really looking to to meet that guidance through our fiscal year.
So if we want to break this down by each individual segment, taking a look at our water utility segment, very good quarter for us on that.
That's largely driven by the receipt of tap fees as we open up each new phase of our development.
That's when we start to recognize a lot of those capital fees that we have for the water business.
And so we get those tap fees in.
Those are paid by our home builder customers at the time of building permit applications.
And so we have probably about half of the tap fees receded from filing 5, which we delivered sort of end of last fiscal year, last summer.
And I'd say we've got close to 8075 vertical homes in there.
So the builders are very aggressive. They're getting out there building their building, a number of spec homes as well as homes that are.
Sold. They have model homes up in.
Both the filing 4, which is our Phase 2A as well as some of those in 2B, which is what

the more active one, what you'll note in this segment for water utilities is oil and gas deliveries are a little bit weak. That's what we did fore.
We knew that that was going to be.
A little bit weaker than we had last year and that was predominantly because of.
Most of our operators really working on a large block of well permits and I think there's more than 200 well permits under production, both for the Lowry Ranch and and the surrounding areas of the Lowry Range.
So we've got a lot of that activity that is going to occur in fiscal 2025, which will start drilling probably late 25 early 26 to see a bit more of that.
Activity and in fiscal year 2026.
But again, the water utilities thing it doing great continue to add new customers to the segment.
So we continue to build that recurring revenue segment for that.
This is kind of a little bit of a comparison of the oil and gas which we did forecast that was going to be a bit softer. And so you know you see that by comparison over year over year activities, oil and gas, as you know very, very it.
A very, very you know, it's a variable segment and and a lot of times.
It really is a a both global price comparison to how the price of oil is to how quickly these operators dial this up.
The field itself continues to just perform great for all the operators, and I think that it's the risk.
They have a very high degree of certainty as to how each of these wells perform.
We can see that in terms of our royalties off of the wells that were drilled on Sky Ranch in 2020.
Four. And so you know, you see a lot of that continuing activity where they will continue to invest in that based on their their permits and and kind of their their internal processes to how they want to deploy their capital. But very good segment for us, very high.
Margins for us and it continues to allow us to monetize and pull forward some of that infrastructure that we continue to invest.
In our water utilities segment.
Moving on to land development, this kind of highlights each of the phases.
We have 4 phases that that force actually we expanded. So we added another fifth phase.
So you'll see a 2 E coming up in the presentation in our second round of investments

into infrastructure for Sky Ranch, but this really illustrates where we're at in terms of. 3 phases concurrently going on.
We have Phase 2B which is we delivered those lots last summer and we have a bit of a punch out items on some landscaping issues and things like that that will round out the rest of this year as as we roll into the spring, but that's where.
Most of the builders are are currently going vertical.
They've got a number of homes that are that are up available for sale or at various. Components of that and it seems like once they finish.
Those homes that that you know there's a ready and and robust market for those and I think that's attributable mostly to price point that we find ourselves in that entry home segment and and I think that's the most attractive segment in the market, not only in the den.
Area, but nationally, but this also highlights where we're at with the other phases of this 2C.
2D really highlights both the lots for sale as well as our single family rental.
Lots and so as you see those accumulating on each individual face, we have 17 units that we've got under contract that are at various phases of permitting and and starting of construction in Phase 2B. And then we're rolling into Phase 2C where we delivered the the.
The overlap grading.
We finished the utility side.
And really, now down to the curb and gutter and the paving side of that.
And so that should deliver by fiscal year end.
So that will that we're currently about 48% complete there.
That'll that'll round up to the mid 90s by fiscal year end and then you know we finished the grading on phase 2D and have started our utility work on that.
So we're midway through our lot delivery.
Contract structure where we get payments from our home builders.
On increments of phases of delivery so.
About 1300, lots on the for sale side and about 100 lots on the single family rental side.
So it gives you kind of a very strong picture of how we're accelerating the development of these land assets and and delivery of lots. And then the single family rental highlighting that Q / Q performance really not a lot of.
Change there. We still have the same 14.

14 homes.
That have been completed.
Our rentals are still very strong, so we continue to have high occupancy rate there.
And then again, very great margins on how we do that. And and I think we've talked about this a lot in the past on why this is so attractive and it really is a.
Formulation of of being able to roll in the equity value that we have on the land side as well as the water utility side.
Being able to deliver these lots where our home builders.
Who are partners on buying the lots are also our partners on helping us build these homes. And so they have a great delivery device on building the homes and then you know we have the advantage of keeping that equity within the lot themselves and and renting them out.
At the full fair market value of those assets. So the book value of those assets are about 80% of the fair market value.
Those assets.
So we very much continue to enjoy a great segment on the single family rentals.
Just want to quickly review kind of you know take this up a few after the the financial performance and and really highlight kind of how the company is structured, how we look at each of these individual segments and and how they interrelate to each other and you know?
Add adna level. Most of you know we're a water utility company. We have a portfolio of water rights.
That we have acquired many, many years ago, some lower than 30 years ago and then we take those water, we bring that to properties both properties that we own as well as properties that are in our service area and properties that others own that we can be deliver.
That as a water utility service, both water and wastewater service and then in some cases where we build the land.
We actually are developing that land. So right now that's that's confined to the Sky Ranch community is about 5000 single family connections.
We're about 20% built out there, but that allows us to be able to vertically integrate ourselves and do the horizontal infrastructure.
That's a very valuable component in the marketplace because there are very few people that are doing that.
Home builders really prefer.

Having you know a a fixed fee where they have someone that will deliver.
That lot for them. And so we partner with them to deliver those lots. They sell those, they build the homes, sell those that generates a water customer for us. And then in a portion of that portfolio, they also build that home for us. And then we rent that.
Out as a single family business.
So each of these segments interrelate to each other.
They're really building on each other and and they're complimenting each other so.
One does really feed into the next and I think it has a great business.
Value.
You added proposition for both us and our shareholders.
Let me drill down to each of these.
Very specifically, I'll try and go through these quickly because I know many of you know this.
Our water segment, if you just look at the balance sheet side of our water segment, you know that has about $65 million in total assets kind of breaks itself out in terms of the water rights, the bricks and mortar of the pumps and the wells and.
The pipes and the water treatment facilities.
That, that deliver that affordable water, our portfolio allows us to provide service to about 60,000 connections.
So we're very early stage in monetizing this portfolio and getting our our our share value out of that. But we continue to add connections each year.
Take a look at the system capacity.
You know, we we have more capacity.
We are fortunate to be able to stay ahead of that capacity where we're developing.
Water wet water deliveries in it in greater than the the portable demand for those services are and what we use that excess capacity for is typically providing that service to industrial applications such as oil and gas and then taking a look at our our portfolio capacity in terms.
Of the capital fee, how many taps that 60,000 taps can generate?
You know, we're very, very early on in that.
You know we have.
Tappy capacities that can generate about two little more than $2.3 billion worth of that.
And that's about a 50% margin business on the capital side as well as on the operating side. So gives you guys a pedal amount of what that water segment can

do for us.
Taking a look at our land segment land segment, you know we have constructed about $77 million of lot sale revenue since we started.
Part of the project and we're about 20% built on that.
So we still have a ton of pedal left in the land development segment and and again that's a very good gross margin segment. The reason I think that's gross margins as good as it is is probably because of the bond you know we we acquired Sky Ranch in.
At a good price, you know, at a fair price at the time when a lot of people weren't interested in buying it, we bought it in 2010, during the Great Recession.
And and really take a look at monetizing that asset, being opportunistic about our capital allocation and how we look for additional opportunities and. And so with a very uncertain market out there, you know that sometimes presents great opportunities for those that are out well positioned and we think.
That we are well positioned for that so.
We hope to see if we can continue to add to this portfolio.
And and continue to expand in the land development segment.
This is just a little bit of highlight of each of the phases that are subcomponents of that we completed Phase 2A.
All those homes are fully fully occupied. Phase 2B, as you can see there, there's about 70 homes that are up and constructed.
Phase 2C. You can see some of the alleyways being poured. Many of the streets that are graded out.
And and so a lot of the utility package there has been complete.
Will will really have that strong push to deliver those finish lots before fiscal year end together with the weather. So we timed that out such that we can be in that season where we can do the concrete and asphalt where we're not competing with Mother Nature on that.
And then phase 2D, that's fully graded and the equally we're going to get the utilities in there and look to see if we can't get those lots finished by the end of the calendar year.
Sometimes we have to race against Mother Nature.
It depends on whether or not we get an early season winter in October versus late season winter after.
November timeframe.
So we'll continue to press on 22D and then we will have another phase of this.

We have a sub phase of that which is about another 150 plus or minus units that are Phase 2E, which we are planning right now.

Now and then we'll extend those opportunities to our existing portfolio builders.

This kind of highlights the overall capacity of our land assets and as I mentioned, we're about 22% developed. If you take a look at the residential side.

So we've delivered about 1300 single family residential lots through phase two.

Our commercial lots, we have about 800 single family equivalent commercial.

We we're just converting those to a commercial.

Those are done a little bit differently.

Those are usually priced per square foot.

As opposed to per lot, but this allows us to do some forecasting to give you guys a comparison as to how the overall opportunity relates in the land development segment. And so combined, you know we look at that being a a very strong performance of the overall comb.

Performance about that 18% right there around close to 20% of the build out of Sky Ranch. When you combine both the residential.

And the commercial?

Single family rentals. Finland. Some of the opportunities there and really the attractive nature of it and it's maximizing the land development as we continue to provide value to the community for what it is that we do on you know the parks, the open space, partnering with our N.

Charter National Heritage Academy for schools it generates continued recurrent revenues of each unit, provides close to a little more than 30,000.

Dollars a year in recurring revenue on the on the rental side and it it really does leverage the market demand and produces great returns for the company.

So we will continue to invest in this segment.

You'll see a little bit more acceleration on that through the latter phases of this as we continue to build out the site phase two.

Some of the metrics on our existing portfolio, you know this really highlights the difference between fair market value and really the balance sheet impact.

So we have about 5.3 million.

Of of capital costs on that and a fair market value about $2,000,000 on that.

So we still have a lot of a lot of UN, a lot of appreciated assets on there that are that are not able to discern.

Through the balance sheet.

This is kind of a highlight of where we're headed with that single family portfolio.
So you know you're you're going to see phase two grow substantially here in two CBC and D.
So we're going to, we're going to move from about 1400 homes close to 100 homes on that. And and really this is some of the metrics that will drive to that. And and the fortunate thing for us on this one is because of the equity value.
That we have.
In the land and the water utility.
You know, this is a great one where we can leverage that portfolio.
We have relationships with three different banks that are very excited to help with this portfolio and and really give us a lot of that capital and a little bit of leverage to be able to capitalize on on using that above our balance sheet capacity. So we're very excited.
About that.
You know, one of the great things about the company is our balance sheet and our liquidity position.
So you take a look at where we're at, you know, between the cash that we have, we have more than $20 million of liquidity.
You know we have cash and investments right at 17,000,000. The restricted cash that we have and and how that's used is we we secure lines of credit letter of credits for.
The county on our performance of building out.
The infrastructure on delivery of the land segment and and the reason that the county likes to do that is that they are allowing us to get building permits in some cases in advance of finishing some of the the back end side of the land development you know some.
Of the.
Most all of the all of the roads, curbs and gutters and water.
Sewer storm all that stuff is completed, but some of the landscaping and things like that.
That that, you know, usually come in seasonally as long as we assure the county through a letter of credit that will complete all that stuff, then there, there there releasing those building permits to us early and that's really advantageous to our home builders because we can currently build.
Those homes, while we're doing that landscaping and so, you know, there's a, there's really no very, very little risk on that distributed cash.

Really, we do count that as a component of our balance sheet. And then again, we talk a lot about.
About this note receivable from the reimbursable.
So not only do we receive revenue from the sale of lost from a home builder partners, but a lot of the infrastructure that we complete, we do get reimbursed for that.
We get reimbursed from that from the local municipality as they issue bonds. And so we had a bond offering in 2024 that gave us.
It was about a $25 million bond offering.
Paid that down, but that's a nice.
Liquidity.
For us, so when you take a look at the overall liquidity company, you know we're in great position not only to navigate challenging markets and I'm not sure if this was a challenging market, but it does give us not only a great, a great, a great asset base.
There, but also opportunities to continue to invest into land and water assets.
Talk a little bit about Outlook and and this is kind of repeat of slides from our fiscal year end. So you know we take a look at our short term outlook and that's kind of a three to five year outlook. You know customer growth. So development of sky.
Ranch up to about 2500 units. Consistent tap sales through the remaining phases of that. And then as those customers come online, you know it increases the overall returns revenue.
We've got annual tap fees.
That increase uh year over year. And so you've seen that as we continue to add new connections to the system and then longer term you know with the build out of Sky Ranch, we've really kind of tried to highlight what we have in the book what we have.
In our portfolio for full build out and monetization of these segments. And so they're very attractive returns for us on that. You know that build out of Sky Ranch could be in that seven-year range.
So it depends on kind of.
How we build out that commercial segment and some of our participation in there.
And so we like opportunities where we can joint venture some of that commercial opportunities we are working on those commercial opportunities as well as developing a new interchange right there at the Interstate where we.
Got.
Some some mill levies that are set aside for that, so that that can come off of

independent bond financing. But that's a project that we're looking at in this short term aspect.
That will increase the overall accessibility of the site as well as the commercial opportunities.
Land development, you know, steady lot sales through the next five years. We continue to increase our lot margins and I think that's largely because most of the heavy lift is complete.
You know, we've got most of the offsite infrastructure. I think the last remaining key element will be that interchange. And so we do have a bonding teed up and ready to go for that. That will cover that.
Cost. And then excuse me.
We really still have the most valuable land yet to come, which is going to be the commercial development and we want to continue to look at all of our opportunities on the commercial side and single family rentals.
We talked significantly about that, but you know, going from what we have today to maybe more than 200 homes.
And and and continuing to look at the strength of that, so 200 plus homes through the build out of Sky Ranch.
And and we would look to do each of these elements in a future acquisition.
So to the extent that we continue to expand our land portfolio, we look at all three of these segments being able to be contributors to what it is that we're looking for.
Slba little bit of the the guidance on what we had for 2025.
So you take a look at the trailing three years and how we're continuing to accelerate and really grow our revenues year over year and and really look at not only another good year in 2025, but then you know how we look at that short term aspect.
Where we're starting to bring in some of that commercial land development.
And and the punch that that's going to have for the company.
Revenue as well as earnings per share, so.
Really continue to execute and highlight the value these assets.
Again, shareholder value kind of a little bit more both year fiscal year guidance, short term guidance and then build out guidance for Sky Ranch and again that build out is sort of what we have in inventory. That's not something that we need to grow.
It's really just execute on continuing to build out Sky ranking.
We continue to be in the market. So you know share repurchases, you know I'd say that in Q3 as we're rolling into that, you know this this, this current market was a bit

choppy and and you know we we continue to have a bit in there to.
By those shares. But we're also continuing to look at, you know, opportunities for reinvesting into land and other opportunities and and oftentimes, when you get turbulent times, you know it it does, it does create some of those opportunities. And I will say that we've had, you know.
An increase in the interest level on some of our target acquisitions, so.
You know we want to.
We want to make sure that we have both capital to invest in the three phases that we got under construction right now. And then as you know, these opportunities present themselves with an acquisition really to to be in a position to perform on that and and you know.
Those are those are kind of how we look at our capital stack on that. So with that.
But I'd like to do is open it up to questions.
I think what we'll do is we'll make everybody's mic live if if we get some feedback or something like that, we may change that format. But if anybody's got a question, you can either raise your hand.
In the.
In the the.
Bar up there and then we can we can identify you. You can call out.
Or or just kind of sing out and we'll see if we can't have an orderly.
Q&A here.
So with that, we'll open up the mic and anybody's got a question. Go ahead and sing out.
So you have the ability to unmute yourself.
It's not disabled.
Yeah, I see everybody.

+12*****86** 32:37
Marc spell Miller. Good morning again.

Marc Spezialy 32:40
Good morning, bill.

+12*****86** 32:42
So getting back to the recurring themes.

Where do we stand on I-70?
We keep talking about, it's going to be great, but when do you think that will come to any kind of fruition?
Secondly, we've talked historically about acquisitions and you say there's a little bit more appetite on part of the seller.
And.
Is that going to result in?
Some transactions sometime where we just still talking about people that are reluctant to sell their land because you've done so well.

Marc Spezialy 33:19
You know, let me take the the. So the your first question was about I70.

+12*****86** 33:25
Yeah.

Marc Spezialy 33:26
So that interchange, you know there's a there's AI know this is gonna surprise ya all.
But there's a.
There's a pretty robust regulatory climate when you take a look at this. And so we've been together with a rap out Downey, who's kind of our partner on this.
They're the really the sponsor, but.
We've been working on the 1601, which is the.
Permit regulation for that. For the past three years, we're about ready to submit that 1601 to CDOT.
It'll take them, you know.
Call it four or five months to review that, but I think we're forecasting that we'll be in a position to get clearance on a permit for construction of the interchange by the end of this year. And then I think what we would do is we go to market.
For those bonds.
End of this year, first part of 2026.
And really start construction of that. We have an existing interchange. So it really won't be a gap in that.
So it it's it's one of those ideal scenarios where we can build an.
Excuse me, we can build an interchange without any disruption. You know, we'll keep

the existing interchange.
There'll be about 600 feet apart, but we're we're moving the interchange along the alignment of the section lines, which is really what CDOT wanted.
So that's what we really look for.
We'll look to see that happen.
We, you know, we think that that's gonna be a a very orderly transition of that infrastructure as it relates to acquisitions, you know it it it it.
We, we, we are we we keep very close to target acquisitions and the owners of that and you know the the opportunities are there the sellers you know just have different different personal requirements as to when when it makes sense for them to try and and sell whether.
That's, you know, estate planning or or just lifestyle issues that they're looking for and you know?
The things that I can say is that I like the fact that, you know, we we are the beneficiary of an uncertain time with Sky Ranch. You know, we were in a great position at the time to be able to buy Sky Ranch when nobody else wanted to.
Buy land.
And so, you know, usually it there's, you know, opportunities are created by uncertainty or change of circumstances. And you know this has been a, a a interesting time.

+12*****86** 36:02
Yeah.

Marc Spezialy 36:03
So we'll see if that yields any interest for sellers to, you know, move forward with with transaction at that time.
I I can't give you any guidance 'cause. I don't have it. If I if I if I had something under contract, I might be able to tell you that. But.
It's it it. It is the number one thing that we're wells.
Number two thing that we're looking at, the number one thing that we're looking at is continuing to invest and accelerate the development of Sky ran. So number two thing that's important to us on the capital stack would be.
Continued acquisitions in land emphasis in land more than water, but to the extent that water is is strategically oriented to our existing portfolio, then we would be

interested in that.
But and then, you know, continuing to invest into the company through the share repurchase, yes. Yeah. You know, the land acquisition is very foremost on what we're looking for.
Just before we go into the next question, so we have allowed you guys to unmute yourself, but I we don't have the ability to unmute you.
So if you were on the computer, you'll still have to click the MIC microphone button to get on mute.
And if you're on the phone, you can dial *6 as well as making sure your phone's not on mute.
Looks like the question from Nigel.

nigel carr 37:24
Hey, how you doing guys?
Looks like a decoder for the for the seasonality issues.
One piece of information I find very helpful is is essentially what your builders are telling you about demand.

Marc Spezialy 37:32
Yes.

nigel carr 37:39
So if you could just give us a little bit of an update on on demand in the Denver real estate market overall.
Is your price point advantage holding up against that market?
And I'm a little puzzled because I've always perceived that it be a very heavy rental demand.
A little puzzled even in a winter quarter as to why there isn't isn't demand happening on the family rental side, so just wanted a quick update from you on on the demand situation there as well.

Marc Spezialy 38:13
You know, and and you're right. I think our biggest opportunity is our price point.
You know, one of the things that we have seen is a push for affordability from the administration and you know, component of that is going to be the interest rate

environment.
And so I think interest rates have, they've been all over the map, but they've been trending a little bit softer, allowing that price point in there and a lot of the builders.
You know when interest rates went from 3:00 to 7:00?
Found themselves in a position of really competing by buying down that interest rate and and offering the incentives as an interest rate environment. And I think that that has kind of that that's burned off. I think the buyers out there are are are more acclimated to this being.
The current interest rate environment or the normal interest rate environment?
Environment rather than to have an expectation to try and find that out. And so as a as a component of consumer sentiment, I think that's a that's a favorable outcome both for the builders as well as you know for people that are delivering these lots you know we.
Can we can take a look at, you know, a number of investments that are being made and and and there's a number of projects that.
Continue to focus in the I-70 corridor.
And so the majority of all of the development activity, whether that's gonna be master plan communities, whether that's gonna be infill projects or any of that stuff is really concentrated in that I-70 corridor.
So we find ourselves in the right segment of the market, not only in terms of the price of the delivery, but also you know where most of that development is occurring, you know traffic.

+12*****86** 40:07
No.

Marc Spezialy 40:10
Throughput and and I will tell you you know our builders, we've got prob of the 70 homes out there there.
They're building like crazy, and they're building on spec, and so they have a lot of confidence to put that investment in there and an understanding of, OK.
This is the right price point for us to be able to take that inventory.
And so those are all those things that are and and and having three phases under construction at the same time, all of that activity is really.
Giving a lot of a lot of.

Incentives for Sky Ranch to be among the high performers out there and and so we'll see how that continues to absorb over the next 18 months.

+12*****86** 40:47
OK.

Marc Spezialy 40:54
But you know, that's really what we're trying to do is hit that market.
Your second question relative to the single family rentals.
We had a bit of a bit of a gap between Phase 2A and Phase 2B and that was when interest rates went up and our builders asked us for, you know, a 90 day pause on delivering some of those lots and that's gapped us out on.
That and so we really we we.
Would we?
We are seeing very strong demand for each of these units that we're bringing online and the problem is is that we we you know, we've been trying to get these permits.
And and phases online. And so delivering the Phase 2B last summer.
We went straight into contracting for another 17 units and then.

+12*****86** 41:45
American Airlines.

Marc Spezialy 41:50
The the county updated their building code and so I think our builders, some of our builders got grandfathered in.
So that's where they have like that 75 units out there. Some of the builders were.
In the process of making those applications and so a lot of those things are getting released right now. And so a lot of the inventory of the 17 homes that we have in that phase are gonna come online now. And so a little bit of a gap there.
Wasn't certainly from a market standpoint or from a desire standpoint is just a little bit of timing variance on that. And then we're we're teed up for the rest of the phases to be able to continue to accelerate that.

NC **nigel carr** 42:30

So you're expecting a stronger environment in terms of sales and rentals through this kind of last year?

Marc Spezialy 42:36
Yeah.

+12*****86** 42:36
No.

+13*****41** 42:37
Thank you.

Marc Spezialy 42:40
Very much so, yes.

+13*****41** 42:42
Please.

nigel carr 42:43
Thank you.

Eliot 42:47
Mark.

Marc Spezialy 42:48
So we got a 917OK.
Looks like ending in 2446.

+12*****86** 42:53
No.

Marc Spezialy 42:57
Elliot had a question, OK?
The 2446 you're on mute, so you'll have to take.
Your you'll have to hit your mute button if anybody else has got a question. Is that

did I?

Did I hear Eliot Mark?

Breaking in, yes.

Eliot 43:13

Yes, this is Elliott.

Can you hear me?

+12*****86** 43:16

I remember.

Marc Spezialy 43:16

I can't.

Eliot 43:19

I'd like to go back to.

Your answer to question #1 when you said that your second.

Most important priority is.

To acquire new land and.

Just for those who may not have heard your February call.

+12*****86** 43:45

No.

Eliot 43:46

Which was recorded.

Hang on just a minute.

OK. Which was recorded and is available on the website.

Sutkin, Linda 43:52

Hey, I'm listening to the pure cycle.

Eliot 43:57

You had a luncheon meeting and it was available on zoom and it is now available on the website.

It was long.
It lasted an hour and a half, but it was filled with information for those who didn't hear it.

+13*****41** 44:11
Hmm.

Bob Schloss 44:13
Yeah.

Eliot 44:17
The thesis, if I can call it a thesis, was.
What happens?
How valuable is pure cycle?
If they are unable to make another land acquisition.
I'm not going to try to summarize what the answer to that was, but it was a very impressive number and so anyone who is seriously interested might want to take the time to watch that call.

Marc Spezialy 44:41
Thank you.

+12*****86** 44:45
No, no.

Eliot 44:52
Because there was a wealth of information available, so I don't have a question, but I just.
Want people to know that that aspect is available if they're interested.

Marc Spezialy 45:05
Yeah. No, I appreciate that.
You know, one of the challenges that we have is, you know, I think we're a partial victim of our own success because we have acquired these assets and I think we've done a very good job of acquiring assets that are, you know, favorably valued for us.

And then.
Also, you know been able to be good stewards of that over time.
And the market of those assets have appreciated significantly.
And you know, not only is that call, you know, a little bit helpful for some of that, but you know when we try to articulate some of these numbers, if you take a look at the back half of these slides, you know that really also tries to Mon.
This it's tough for us to be able to give you, you know, full guidance on that. But what we can do is say, hey, here, here is what we make per lot.
Here is what we do on the water side.
Here is what we're doing on the single family rental side.

+13*****41** 45:59
Thank.

Marc Spezialy 46:02
Here's how that generates the.
The monetization of those legacy assets as well as here's what it does on the recurring revenue side. And so you know I would say and and the company has had a a strong disconnect between what certainly we believe the value of those assets are and what the market.
Capitalization is for that and and you know, we try and allocate some of that money.
To to to, you know, bridge some of that gap in there.

Eliot 46:32
Well as an.

Marc Spezialy 46:33
So Jeff, I see you.

Eliot 46:35
Well, what I was just going to what I was going to say, Mark, is just as.

Marc Spezialy 46:35
Go ahead, Ellie. Finish it.

Eliot 46:42

A tease, if you like it to those who are listening, who didn't hear it.

You came up with.

With actually the analysts on the call came up with impressive numbers for what the pile of cash the company would have with Sky Ranch fully developed.

With roughly 85% of its undedicated water reserves.

Not still undedicated and available for sale, and you also came up with.

A number for ongoing revenues per share at the end of the development of Sky Ranch.

So it was very specific and it was very helpful.

Marc Spezialy 47:35

I appreciate that, Jeff.

I see Jeff Scott's got his hand up and I see.

His smiling mug.

Geoff 47:44

Good morning.

Marc Spezialy 47:45

I like this format by the way. Good morning.

Geoff 47:45

How are you?

Elliot, I think I'll take some credit for the the lunch and analysis, but I want to ask Mark.

Eliot 47:56

You were Jeff. You were brilliant.

You were brilliant.

Geoff 48:01

You just made my whole day, Elliot.

Marc Spezialy 48:03
Pat on the back. Keep you going.

+13*****41** 48:04
Thank you.

Geoff 48:07
Mark, I want to ask a couple of chicken and egg questions.

Marc Spezialy 48:14
Yep.

Geoff 48:15
I'm assuming that the development of the interchange.
Is is the egg and that the commercial development is kind of the chicken?
The the value of the commercial development goes up after there's an interchange in there is that.
Basically correct.

Marc Spezialy 48:37
Yeah, I think that is true.
I mean I I will say that I think the the value of the commercial you know we have an existing interchange, the new interchange gives you more capacity.
It's it's, it's a freer flow of traffic.
But you know it it it the the proximity and the location along I-70 give you both of those elements, but the the interchange is kind of a component that we do.
Need as as we continue to build out and what we've tried to do on that Jeff.
Because commercial needs a certain amount of demand from the residential side.
And so we've been, we've been bringing that up at the same time as we're paralleling the permitting for that interchange. So that we don't have a gap out in that issue where we have the demand from the residents, but not the infrastructure for the traffic capacity.
It's.

Geoff 49:39

Right, I'm. I'm assuming that the demand for the commercial will go up when they see a bigger and better interchange?

Marc Spezialy 49:48

Absolutely. OK. I would not argue with that thesis.

Geoff 49:51

OK.

That was the first chicken and egg.

The second one was kind of interesting because I think for the first time.

You said that the the Land acquisition is a higher priority than additional water right acquisition?

I don't think I've ever heard you actually say that before.

Is that because the what you'll be able to do with land?

And is going to be faster than what you're going to be able to do with additional water. I mean, you have water for 60,000 units.

Marc Spezialy 50:36

Right.

Geoff 50:38

You have water and inventory and in order to utilize that water you need additional land.

Is that is that the the correct interpretation of the chicken and egg?

Marc Spezialy 50:44

At 3, Yep.

Yep, exactly right.

You know, I think we're longer on the water side than we are on the land side and really want to be more aggressive on the land side.

Geoff 51:00

OK.
Thank you. That's all I had.

Marc Spezialy 51:03
OK.
Thanks for chiming in and dude thanks for your your your comments and kind of the filter that you as a shareholder and and really a long term shareholder have in terms of the company and and you know really aligning with kind of how we think about the world.
And you know how we steward some of these assets was very helpful in that.
In that in that February call so.
Keep up the good work.

Geoff 51:35
Thank you.

Marc Spezialy 51:38
Oh, she's trying to ask a question. Who is?
Bob.

Bob Schloss 51:43
Yes, I tune in late.

Marc Spezialy 51:44
Yep. OK, great.

Bob Schloss 51:46
So this question has been answered.
Let me know, I'm interested in how the school is doing.
I think it's a key component of the of the entity.
So tell us about the school.
I'll go back on mute.

Marc Spezialy 52:00
OK.

Great. It is a great question.
And you're right. You know, having a local school, having AK12 campus, you know, right in the middle of what it is that we're doing.
Tremendous value.
I I will say our partner on that National Heritage Academy, great partner in that you know we are their first K12 campus and they have, they have other campuses that are K8, they have high school campuses, but we're the pool you know K12 model and.
So we're looking at.
Breaking ground on the high school of that later this year for the delivery of high school in the 20/26/2020 seven-year. And So what we've got is the the existing K8 system, they'll go K9 next year because they want to make sure.
That they can continue to keep the kids there as they as they start there and then, you know, have that high school.
For you know full build out on that and so.
The capacity of the full K12 model will be something like.
1700 kids.
So you know it'll it'll accommodate all of the all of the kids in Sky Ranch, full build out of Sky Ranch, plus a little bit more so that we can, you know, service some of the surrounding areas, but wonderful group. You know, I think the overall feedback on.
On you know, part I chair the the the the school board on that, so I.
I.
I attend a lot of the.
The parents conferences that they have there and the feedback that I get is, you know, the schools just terrific asset for the community.
You know a terrific model.
They love.
They love kind of the NHA model. You know how they deliver the education, the the moral focus that they have, everything that they do, you know, I think is a terrific opportunity and I'm learning a ton about school.
Wow, so it's great.
I I I you for your continued support on that school. I know you.
You continue to reach out with me on that and and continue to touch on that.
So thank you for that support.
There's one caller that ends in 6841.

You're off mute.
I don't know if you had a question.

+13*****41** 54:22
Thank you.
Yeah. Thank you.
This is Greg Bennett, one of your shareholders.
Washington, DC, or the new administration has talked about affordable housing and the need for it.
They've also talked about the possibility of using federal land or giving federal land for affordable housing.
My question is, do you have water near or is there land near our properties?
That could be federally and that you could basically obtain for a dollar.
And and then with the agreement that you would create affordable housing.
Thank you.

Marc Spezialy 55:03
You know, they're they're that's a good question.
We we are not adjacent to any federal land, but I will say that you know our service area is owned by the state, the state of Colorado and and you know state of Colorado recognizes as much as the federal government the importance of affordable land and affordable housing.
And so, you know, while we don't control the land, our water and our service area.
They're all on that state lands. It is a massive inventory of land.
It's 24,000 acres of property.
It's located in that I-70 corridor.
You know, it's probably the single most valuable asset that the state of Colorado owns and the state land board. Clearly, you know, they're attenuated to not only the affordability aspect, but what they do do with that land generates revenue for.
The public education system.
OK12 public education system.
So you know those are those are great opportunities for us to partner with them.
You know, we'll, we'll provide the utilities regardless of whether or not we develop the land in conjunction with them or somebody else develops that land and. And so they're currently evaluating, you know what opportunities they might want to

consider for that. They've taken a look at that land.
At various segments over the last 30 years as to you know what?
The inventory and the carrying capacity of that are and and we'll see.
You know that's a that's an opportunity.
You know, we look at other land areas for us to be able to acquire or partner with and be able to monetize and develop that land by bringing our water to it. And then also you know, carrying that forward within our model where we're developing the horizaw infrast.
And then, you know, we've looked at inventory, a portion of that.
For single family rentals.
But you're right.
Land is a critical component to the overall development and then you know just interest rates. And I think the as much as the federal government has the opportunities to take a look at its lands. You know the the current administration really does have a focus on trying to.
Do something about affordability and interest rates are a key element of that and.
You know, much to maybe their frustration, they don't have as much.
Control over interest rates as they would like, but you know certainly policy does influence interest rates.

+13*****41** 57:45
Has the state of Colorado ever granite or sold land?
For a purpose like public housing.

Marc Spezialy 57:56
You bet.
You bet they.
You know, they've sold land.
They they have all their, their, their interests, they they sell land, they buy land, they trade it out.
You know they have commercial properties where they have office buildings that they're for lease, they have multi family opportunities where they've participated in either land or vertical side and then just selling land.
They, you know, predominant drivers for their land.
Interest have been oil and gas and and grazing, but you know they own about 3

million acres throughout the state of Colorado. And and this is one of those pieces of their portfolio.

+13*****41** 58:41
How close is their land to your sky ranch or your interchange?
Is there anything that's nearby, or is it 10 miles farther?

Marc Spezialy 58:51
Oh yeah, it's it's very close.
Yeah, it's, it's it's it's 4 miles directly South.
So when you take a look at and and we have a lot of these images on our website, you'll see you know where we show our service area and the proximity of our service area. And in fact some of our presentations will have sort of some drone imag.
Where you see on one side of the road, you have a bunch of developed houses. On the other side of the road.
Is kind of vacant land and that's where the state.
That, that. That's where the Lowry ranch starts. And so the metro area has grown out to the the Lowry Ranch and and so it's a, you know, it is ideally positioned for opportunities.

+13*****41** 59:34
OK.
Final question, Sky Ranch the build out.
You don't need to acquire any land in order to continue growing for the next what five years is it? Is the absorption of Sky Ranch would take five years.

Marc Spezialy 59:46
Yeah.
Yeah, I would say most of the residential should be wrapped up in that that cycle.
Some of the commercial may still tail on depending on how we how we participate in that. But you're right, we you know that's baked in. You know you take a look at that.
Guidance set, you know where we think we can monetize both the land and the land, the water and the single family rentals on that, that $600 million really is just.
What we own at Sky Ranch.

+13*****41** 1:00:21

OK.

I guess one of the concerns investor may have is that you're tying up capital in the rental units and if you do make another land acquisitions provided on the deal, you get that that's capital that won't get a return for five years possibly. But I don't know if.

Common. OK.

Marc Spezialy 1:00:41

And that, yeah, the cycle of land development certainly you know you're not, you're not wrong when you buy raw land, the time to entitle it and start developing it could be a little bit longer.

You know the issue for us is to make sure that you know we allocate that capital. So we're not over skis and we can actually continue to invest in the land development at Sky Ranch.

Dan Kozlowski 1:00:57

OK.

Marc Spezialy 1:01:06

And you know, I think we're ideally positioned to do that. And to the extent that we get a a large enough land.

Acquisition that would would be beyond what our liquidity position might wanna support.

You know, that's something that we can take a look at monetizing our single family rental portfolio and we can bundle that up and sell that out and be able to use that rather than our equity to be able to acquire some land interest and replace it. So it.

A very attractive investment, not only because of the tax advantages to it but the equity.

Carry forward and then the ability to monetize.

Size it in the event that there's an opportunity to do that.

+13*****41** 1:01:47

You're suggesting like a 1031 exchange where you exchanged your rental for. Yeah, OK.

Marc Spezialy 1:01:51
Something like that? Yep.
Yep.

+13*****41** 1:01:55
I don't want to thank you for everything.
Thank you for the call.

Marc Spezialy 1:01:59
You bet.
Any any other color I can layer in?

Dan Kozlowski 1:02:14
Yeah, mark.

Marc Spezialy 1:02:17
Please.

Dan Kozlowski 1:02:19
This is Dan Kozlowski calling in board member.
I'm not in the room today due to a due to a scheduling conflict, but.

Marc Spezialy 1:02:22
Welcome, Dan.

Dan Kozlowski 1:02:28
Good, good, good call.
I think this is one of the the better calls and you know good quarter and a seasonally slow time. But again I think it speaks to the robustness of the model where you know these slower quarters are less slow and still stacking on some you know earnings growth.
Which is great.

Just a couple observations.
I kind of listened today and and the the caller questions I think are at a higher level and everyone's kind of really understanding the the, the business model better and better each quarter. So that's great.
So just to pivot off a few things, I mean the interchange process, I'm glad you brought that up today and and spoke about it because it is a big opportunity.
I mean, if you just drive out there, you see there's, you know, there's a there's.
A fine off ramp and I I guess you call it an interchange.
Today but but obviously the ability to control and and work with Arapahoe County and and you know have the outcome of that interchange be favorable towards our sections that.
That we're going to develop a lot of it commercially is is really a huge opportunity.
I know you put a lot of time, time and work on that and more disclosure today I think is good.

Marc Spezialy 1:03:39
Yep.

Dan Kozlowski 1:03:44
You know, it's it's it's slowed us down a little bit to do some you know regulatory caps.
And how all that works in the past. But you know, once that is in process and moving you know I think it'll free us up to make us more flexible in terms of pacing of absorption and maybe you can comment on that a touch if you want.
But and also a second part of that is, how do you think about commercial, you know, in terms of your classic retail commercial build out, the grocery stores, the drug stores?
The you know the the soft, the software that goes around a community versus going either earlier at the same time and and doing it in an aesthetic way. But but adding like industrial.
You know, warehousing that type of thing that could also be sellable at really good prices really at any time.
So maybe just a little more color on on how you're thinking about the classic retail software versus you know the industrial.
You know, warehousing that that there's always huge demand on I-70 four.

Marc Spezialy 1:04:54

Yep, Yep.

All good questions and and really good things to kind of throw a little color into this and. And so the interchange I think is is a great asset, great opportunity and and one that we've been planning for you know since we started construction of the project, so you.

Know we're we're well positioned on that and it's a long lead cycle. So you know we have we have really been early to try and get that.

Through the system and through that process, both with the county as well as C dot.

And I do think it, you know, as as Jeff sort of highlighted in in his chicken and egg sort of analogy is that it does.

It does open up. While it's not constraining some of the commercial activity, I think commercial activity really is a lag of some of the residential activity. We did want to time those two out such that when the residential was good that we didn't have any any constraints on.

The transportation and then the attractiveness of having a bigger.

You know, you know.

Fuller Scale interchange on that.

So that's that's an important component on it as it relates to some of the commercial and and one of the things that that you know Dan's been been super engaged in helping.

Us really kind of color into some of the the communication style of how we can, how we can translate the value of the company to investors. But one of the other opportunities and I talked about this all the time in terms of the strength of the board.

But you know, one of our board members is, you know, very dialed in on the commercial. You know, he he works with a local family office that that does commercial all over the all over the Denver area and and they have developed tons of grocery models with K.

And King Soopers as their brand here in Colorado.

As well as bolting into that, the commercial that goes around that, whether that's gonna be.

You know your fast casual, whether it's gonna be, you know, other types of office, medical office and then building into box store where you can get the retail side,

whether that's going to be big box like Home Depot or Walmart or Sam's or Costco type models and.
And then, you know also in the industrial side, so you know while while you know that's something that is key for the company to keep their pulse on.
You know, we also have.
Veteran experience on that, that helped guides us and so.
Jeff Sheets is the the board member on that.
Who brings that value to the company? And and really, you know, we sought that that expertise as we continue to build that board portfolio out such that they could assist us on that and and really through his help and participation we've developed a commercial model for that that.
Really accommodates all of those.
All of those things that Dan was talking about, whether you have space because we've got about 160 acres and so we have space.
For the light industrial for this big distribution center, you know that that does provide tremendous assessed value that brings a lot of that revenue into the reimbursable side.
We have components of that for multi family where we've got apartment complexes and and we've talked with a number of different apartment developers.
And various models where we can help participate with that. You know, that model looks something like where we bring our water, we bring our land in the equation, somebody goes vertical with that, we get fully leased out in the cell it as a package and our exit becomes.
Fully developed.
You know when you got a fully improved lot for a particular use like a multi family and that could be anywhere between 500 and 1000 units of multifamily depending on how that configuration goes.
And then you know the the the grocery, the fast casuals services, you know the fuel, all that stuff gets built right around that.
And those are all extremely, you know, high value land interests where we can keep some of those units available working with partnering with commercial developers and and then getting those.
Facilities leased out and then selling those to maybe REITs and other types of.
Of entities that really participate in that cash flow. So you know as much as we look at all those options, we look at those options with some degree of expertise,

somebody who's done it, who spent their career, he's got 30 years doing specific commercial development in the Den.
Area and so you know, we're very excited about that.
We're very excited about that guidance.
We're very excited about that opportunity.
So good question, Dan. And and and a nice way to kind of highlight you know how we're transitioning from you know, a core of strictly residential to moving into that commercial side.

DK **Dan Kozlowski** 1:10:06
OK.
Just a few other observations.
Generally, you know, I think this finished lots.
Approach that you chose to take. You know, starting back in phase phase one or phase.
You know, I think is is understood somewhat by the market by the long term shareholders, but but the attractiveness even in we talk about times like these. I mean the there's always stuff going on right whether it's interest rates moving up or down or COVID or you know.
The change of administrations with different viewpoints on how to attack.
Back opportunities and challenges of the country.
You know, it seems always more volatile when you watch social media or CNBC. But but. But the reality is home builders and they have pretty good businesses and they're pretty good at managing their risk. And so and they earn a lot of money.
You know they have.
They've, they've, they've been good stocks for, you know, a decade or longer. And, you know, I think the bottom line is there, they're pretty good at managing their risk and and what they really.
Desire is the ability to put down their cash on on lots and and go vertical quickly.
And our model, which was slightly more capital intensive for us to finish all the lots out is just highly attractive to you know if they're looking at their entire nationwide portfolio obvious.
They're like Colorado and look at their Colorado portfolio. You know, you continually.
You know, as you develop these phases and subphases.
You're showing up with buildable lots, right, right away. And and those are the ones

where even when the home builders, you know, will go through 90 day pauses or whatnot they want.
Because they can buy from us and go vertical and and and have lower carrying costs.
And it's the way we chose to approach the business, but it really protects the business in back to that times like these meaning.
People are cautious, but if they can buy.
Angle vertical.
It's just a huge leg up on on on sort of the sustainability and consistency that we're delivering and I think that's understood by half the people that look at pure cycle, but there's another half that's newer to it and and you know I got to think in the.

Marc Spezialy 1:12:19
Bye bye.

DK **Dan Kozlowski** 1:12:33
Market, you know when our stock price is bouncing around along with the home builders and other people.
It's not completely appreciated.
You know how much? So when we talk about demand, yeah, there's general demand in the calora market.
But there was a lot.
It just strikes me and I've watched it for five years.
There's always demand for these finished lots.
And and and that's that's key here for people to understand the call and and otherwise maybe you can come on that in a in a minute. And then the second thing that I'd say is partially understood, but not not fully.
And it's the the nature of Sky Ranch and any development.
Is the cash flow is just very much back end loaded?
You know, so if we if all we did on Sky Ranch was develop 1000 lots, you know, we're gonna do many thousands.
But it was.
It was just 1000 lots.
I think what we'd have seen was the 1st 500 were, you know, pretty good. And then the last 500 would be massively cash flow generative, right, as you're winding down the, you know, a smaller, a smaller project.

And all that cash comes over the transom, and I, and I've just done some rough math on it. Just seems very disproportionately cash flow generative in the second-half of the project. And as you're closing it out and and a lot of developmental projects are like that the.
Last 30%.
That just goes straight into your pocket, you know that.
But, but Sky Ranch is big, so it's, you know, 35104 thousand, you know, homes. And then the commercial and and it's it's really back end load is when all that cash comes over the transom.
And now that we're, you know, inch inching up on 1500 lots, we're inching up on that halfway mark as we come over the the halfway.
Development of Sky Ranch.
The cash flow dynamics, the margin structure, all of it really blossoms.
And you know, I think that's gonna hopefully surprise people as we get, you know, another 12/18/20, four months down, you know down the path and so much of the cash flow.
Low payoff from this?
Will again, I'll use the word blossom. You know, in the in the back half and we're not. We're pretty close to the back half now, so that's I think exciting I don't.
I'll stop there on those two comments. If you have anything to add.

Marc Spezialy 1:14:58
Yeah.
Yeah, good comments and and your rights in terms of our home builder partners, you know the thing that that they like is you know they they want to be able to sell their sell their home before they buy their lot. And really we're delivering this stuff just in.
Time for them so that their capital allocation is as good as it can be.
And there's very few people that do that right.
There's very few people that are in a position to do that.
Most developers are.
You know, they, they they sell platted lots, particularly in the Denver market.
They sell platted.
Lots of paper, lot.
And then they forced the developer to put that infrastructure in, and so the

developer has to put that capital in up front and they their IRR driven, right, their whole bottle is IRR driven. They want velocity and so if they have projects where they can choose to build.
Spec homes. They're gonna build them.
In an area where they don't have.
To do the horizontals, you know that that allows them a much more favorable rating and and really that's why I think we've had such good success with all of our builders in the renewed aspect of it. And then you know the portfolio builders who want to be in.
Sky ranch. And so as we open up phase three and we go into the next 1500 lots, you're right.
You're going to see an acceleration of that, right? We're not seeing.
You know, most master plan communities grow on a bell curve.
And you know, you start out slow.
You get up to a certain point where you're delivering a lot, you know, kind of the Max number of lots. And I'd say then then you come down and tail off and are milking the the residual value of each of the remaining lots and. And while we haven.
Peaked in that Bell cur. You know we're on the upper side of that and you've seen that by accelerating.
You know the lock deliveries from 250 lots a year to something like 500 lots a year and that's gonna that's gonna go directly.
To, you know, monetizing that asset.
You're right.
If if you took a look at, you know, any master plan community they, you know, we continue to build that value. And when you look at our balance sheet, you know you see you know more than twice our liquidity is in the note receivable. Well if we were.
On the back end of that, that would all be moved over into the cash side. And so that note receivable really is as the assessed value of the Community grows, that's where you get that's reimbursed.
And you get that high value of monetizing the final lots in there.
So it is cyclical in terms of how you stagger out the overall development, but you know you can see from the balance sheet that continued growth and I think the disconnect there might be that people just are like well, you know, I want to see more of you.
Know the lot deliveries.

I want to see more of execution on the commercial side. I want to see and and all that stuff is, is.
Right within, you know our business plan and how we're going to execute.
So you're right.
Our enthusiasm is high. You know what we we continue to try and and communicate that to the marketplace and you know the market has its own cyclical natures of it and you know we want to be, we want to be as transparent as we can.
Looked like Jeff had a he wanted to weigh in on one of that observations.

DK **Dan Kozlowski** 1:18:20
Right.

G **Geoff** 1:18:25
No, I was just going to take Dan's thought process one step further. He said that the the builders need.
Something that they can go vertical on quickly.
The other thing they need is is demand.
And that article that I sent you yesterday on Link 56, I had to do really with.
The growth of of Denver going east.
Word and out by the airport. That was a A. You know, the article came from. I think the Denver Business Journal.

Marc Spezialy 1:18:58
Right.

G **Geoff** 1:19:04
So you know it and it talked about the link 56 development out there.
You said it was, I think 10 miles away, but nevertheless there's going to be a population shift eastward and anything that that.
Brings people closer to sky. Ranch is going to ultimately increase.
The value.
There was the things like the.
The a large.
Land purchased by Microsoft for a campus that I had.
That's the first time I had heard of that.

But it's that kind of of development over the next fill in the blank decades that's just going to enhance the value of Sky Ranch going forward.
As part of that, it said that Target had acquired land for I I wanna say A4 acre.

Marc Spezialy 1:19:54
Yep.

Geoff 1:20:04
Retail outlet for $7,000,000.
I don't know the details of that and how much.
Was how much for the IT was 140,000 square foot store.
They may have had to buy some parking and stuff like that, but $7,000,000 for four plus acres.
It is a pretty substantial investment for somebody like target.
And I wish that would translate into value at at, you know 2 + 1,000,000 dollars an acre for for Sky Ranch.
But anyway, Dan, that if Mark can for you that article, I don't know if you've seen it or not, but I thought it was very interesting.
That's all I had.

Marc Spezialy 1:20:50
Yeah. No, it's great.

Dan Kozlowski 1:20:50
Yeah.

Marc Spezialy 1:20:51
You know and and.

Dan Kozlowski 1:20:53
It it keeps coming.
I mean, I I've made this point.
I think maybe a couple calls ago, but you know if you look at Denver historically, you know I-25 and I-70 kind of bisect Denver and and where they hit you know was kind of the old the old, you know 20-30 years ago the old.

Industrial kind of epicenter of of Denver and that's all moved eastward now, and that was triggered by this beginning of that was triggered back around 2000 when the airport opened up. And then the Auntie's Medical Center and and the whole the whole.
You know, I think the epicenter of Denver now for the future is really E470 and I70.
So it's moved eastward. What is that?
Probably 12 miles or so.
And that's, you know, 'cause Dia is right there, you know, three or four miles and and that's why all the industrial or light industrial warehousing, Amazon Center that's there is all to the east and and it's so that's in Sky Ranch is sitting right in the middle of.
That development to the east and then our water sitting right there too.
You know water.
We always talk about water.
Is an interesting business.
You know, it's water's very valuable.
But it's really is your water in the right place and our water is in the right place.
It's coming right over the top of us and that just leads me to my last observation or point I'll make and then I'll but I'll I'll cut off.
But you know the state land board, you know owns this unbelievable piece of property.
It's 40 square miles, but it's, you know, Lowry ranch. And I would just note that we've been impressed with the way the state Land Board is evolving.
Their views and some of the human capital.
The state Land Board has added over the last.
Year or eighteen months with, you know, real.
High level real estate development expertise on on the board and you have to think if they're adding that sort of talent and expertise you know they they certainly are aware of.
The opportunity they have with the Lowry ranch over time.
And you know, I know Mark, you've you've gotten, you know closer with them and and built a great relationship and you know it's all there for the taking. Whenever the state wants to, you know, begin to to, to monetize that in a thoughtful, progressive way for for the.
Community and you know, help with this would be low income or entry level.

Entry level housing and so it's pretty exciting and I think you bark, you've done a great job building those relationships and state land boards doing a great job.
You know, bringing in high level talent to, you know, to evaluate all the opportunities.
So again, I think that's that's been a long process.
We've got a long history, but it's really on the up and up and and I think it's a tip of the cap to mark for his his patience as well as his, you know, relationship building there so.
Good work on that.
I'll sign off.
You know, good quarter should be a good, good rest of the year.
And nice work.


Marc Spezialy 1:24:17
Great, thanks. Pat's on the back like that.
Keep me going.
OK.
Well, if there's no other comments, certainly if anybody's got something that they, they didn't get a chance to ask or you know, want to just drill down privately, you know, go ahead and give me a call.
I'm always available.
And you know, we we do like doing these kind of Rd.
Investor meetings.
So we'll try and see if we can't set something up and maybe in the Midwest.
Or maybe on the West Coast.
So I've got some some good friends and shareholders on the West Coast that have been itching for us to come out and organize a sit in and and I and I will tell you, I mean this format is very helpful. You know where we can we can we.
Can have engage in a dialogue and interactive interactive dialogue like this, but you know it it and I think the reaction was some of the folks that attended the meeting in New York.
They were just overwhelmed.
You know, when you when you?
When you see it, when you, you know, roll out maps and you kind of get that, that tangible evidence as to how the Denver markets positioned and where I-70 is and

how the growth of the metropolitan area goes, it really it really does provide a very COM.

Argument as to what it is that we're doing, not only what we have in inventory, but what our opportunities are with the portfolio, so.

We'll continue to reach out and and and continue to.

Really expand that knowledge base and and that outreach to not only our existing portfolio, but folks that that may be new to this story.

So with that, I will go ahead and sign off and thank you all for your continued.

Sponsorship and and confidence in your invested capital.

So take care and we'll be in touch.

NC **nigel carr** 1:26:22

Thanks mark.

Marc Spezialy 1:26:23

Thanks all.

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