Transcript

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Marc Spezialy 0:12
Good. Good morning, everybody, and welcome to Peer Cycle Corporation's third quarter earnings call.

Marc Spezialy 0:18
We'll start with a presentation from our CEO, Mark Harding.

Marc Spezialy 0:25
Before moving into the Q&A session.
We went ahead and muted everybody and when we get to the Q&A session, we'll make sure the mics are open. But we ask that you stay muted until you're called on.
And with that, I'll turn the presentation over to our CEO, Mark Harding. Thank you.
Good morning.

Marc Spezialy 0:49
Welcome to our third quarter earnings call with me today. You just heard Mark Bisali as our CFO as well as our Controller, Serena Finnegan. So if you have any hard questions, they'll help chime in on that.
We do have a deck for this, so for those of you that are are on this live, you can see the deck by going to our website. On the landing page there'll be a tab that you can click on to all advance through the through the slides.
As I go through the presentation and then for those that are listening to this on the replay, I'll try and note the slight transition so you can kind of match the audio together with the the slide deck.
So with that, we'll get started. Our first slide is always to get the lawyers out of the room. So you all are familiar with forward-looking statements, statements that are contained or incorporated by reference in this are forward-looking statements that that meaning by the Security and Exchange Commission.
Want to jump and really kind of highlight our leadership team. So this is your leadership team there. You know we have a tremendous amount of experience in all

of the business segments that we have a very consistent and constant.
Team that I have the pleasure of working with day in and day out, but they are really responsible for delivering the results for the company. And so it's a it's a delight to continue to work with our team as well as our board. As many of you know that have been following the company, we really do punch above our weight.
On some outstanding leadership and and expertise in our board from all disciplines of what it is that the company does. So I I do want to give them credit for their continued stewardship of the company, the company's capital and and and kind of delivering the results that we experience.
So let me jump right into the financials, third quarter, taking a look at it both in terms of the quarter and then year-to-date quarterly revenues, 5 million, you know continued to deliver terrific results on gross profits, about a 63% margin there, so 3.2 million.
In in gross profits, I do want to note a couple of the highlights. One of the key things that we're seeing this year is one of the diversifications that the company has is that we do have some mineral estate. So we've seen some tremendous results from our mineral estate this year and that was a result of drilling additional.
Wells in 2024 that came online. So quarter quarterly results a little over $1,000,000 there. If you take a look at it from year to date close to $6 million on that. So that's a a nice bump to the the financial performance on that.
A little bit over 2 million in net income on the quarterly basis, about $0.09 per share. And then you take a look at that on a year-over-year basis or year-to-date basis, that's about 7 million. So $0.29 earnings per share on the fiscal year 2025.
Taking a look at the trending revenues, they're slightly down from previous quarters and and the principal reason for that is just the weighted deliveries that we have for lots in filing 6. You know our largest home builder, Dr. Horton had.
A weighted inventory of lots that they have, they are on a a finished lot structure for us. And so taking a look at how those deliver, we're on schedule and on pace on delivering those lots. We'll deliver those lots by our fiscal year end and and that'll catch up. But there's a little bit of a weighted delivery on that.
This particular filing, they have about 70 lots where traditionally they have about 45. So it's almost twice the number of lots that they have on that structure. So that skews the results a little bit. It's not necessarily indicative of any of the the year-to-date performances, it's just that particular filing kind of weighted out.
Average on that. So when you take a look at it 1/4 over quarter basis, that's going to

be weighing in a little bit on that side. So this will give you that look about $5 million in this quarter and then when you take a look at gross profit about 3.2, those are kind of carrying forward.

Taking a look at it from a net income and an earnings per share quarter over quarter, again those are going to be the same, the same results in there. Just showing that that inventory of that and a lot of that, a lot of that work that the company does on that's in WIP, it's in the work in progress on the financial statements, it'll just roll into. Realizing that revenue as we get into this fourth quarter here.

Take a look at the fiscal year-to-date performance. We're showing again some seasonality in that you know we do, we do finish all of our our our phases in that fourth quarter mostly just cause it's a seasonality for us in in Colorado where it's.

It's difficult to do concrete and asphalt in the winters, but we are on pace. This kind of shows you a little bit of where we're at in terms of our fiscal year 2024 cumulative for 2025 and then our guidance on that. So our guidance on 25 was around 30.1 million.

Or 31 million on that and then gross profit right around that 23.7. And so we will still finish all that work and then as our builders close on that stuff, we'll we'll be able to recognize that revenue rolling through on our fourth quarter.

Again carrying that forward to net income and earnings per share cumulatively to date $7,000,000 on net income, $0.29 a share on on earnings per share and then that will that will have a catch up just due to the delivery of all those finished slots we have about.

220 lots coming to completion. We've got a bunch of those finished already and then you know we'll punch out the remaining lots probably late this month and the first part of August with an 831 year end.

Let's drill down a little bit to talk about each of our segments individually, taking a look at the water utility segment. Really this is driven by three different revenue sources. One is the annual customer growth. So we continue to add customers to our segment.

And those are, you know, our recurring customers. These are monthly Billings to our water and wastewater billing sides. And then we have a segment that we have, not a defined segment, but a group of water customers that are our industrial customers and this year's a little bit light comparative.

To the previous years and that was forecasted. We did know that that was going to be a a permitting year for most of our operators in this area where our largest

operator has been permitting a significant number of wells, close to 200 wells on the Lowry Ranch that they're looking to develop and you know that that's just a lot.
Of permitting pad sites, infrastructure, you know take away facilities, those sorts of things. So they've been prepping into a lot of that over this fiscal year and and we'll see that more normalized coming in fiscal 2026.
And then tap fees and tap fees are are very strong this year really because of the delivery of filing 5 which is our phase 2B in that we had about 230 lots that we delivered last year. Builders are are you know vertical on those. I think we've got probably about 100 and.
20 homes up in that of the 230 that they've had delivered. So you know when they need a building permit, they're actually pulling those tap fees that are showing and and really have that kind of lag effect of the delivery of the lot to tap fee revenue on that side.
It's a little bit on the oil and gas side. As I mentioned, 25 was forecasted to be weaker due to the concentration of permitting at the Lowry Ranch and and should return to those normal levels in 26 and and and continuing, right. So you know when you're taking a look at that number of wells.
We generate about 280, $300,000 per well and you're looking at you know close to 100, somewhere 180 to 200 wells on the Lowry property. So it'll take them a while to continue to fully drill that out, but that'll be a nice segment for us continuing forward and it.
And it continues to be a really favorable relationship both for us because we have and continue to invest in our water facilities out there and it allows oil and gas opportunity, the oil and gas.
Operators to be able to handle their programs, which are really very large water customers without it being at the expense of anybody else's customers. So we don't have to, we don't have to have our other customers conserve that so that we can make sure that we provide water for the oil and gas segment. So it's a very.
Very partnership relationship.
Take a little bit on our land development segment. So we do have all the lots for phase 2C being delivered in fourth quarter. So you'll see a bit of that on the catch up side, but really punching out on all of what is.
About 900 lots on phase two for us. We finished 2A in 2023, 2B in 2024, 2C in 2025 and 2D. You know we we have 2D and 2C going on at the same time and so you know.

We're not what we've done. A number of the activities in 2D might have a slide that might update this a little bit. Is that that? No, I guess I don't. Let me go back on that. So on 2D we've got the the earth work done, all the grading work done. We're midway maybe.
3/4 of the way through on delivering the wet utilities and then we'll move over to the road curb and gutter package sometime this fall and then continue to deliver those. And and really what I want to highlight here is kind of this particularly in markets like this and and I'll I'll highlight the market a little bit later in the presentation.
But in in times where you have real-time deliveries without having strong inventories on one side or the other, it really it really highlights the company's business model for builders and and and the public builders in particular because you know their their their pro formas are really scrutinized.
On there.
Ability to have turns on their lots and the investments in their lots. And what we try to do is keep pace with that such that neither they nor us are maintaining too long of an inventory on that and we can be just as real time as possible to deliver those homes. So you're going to see a little bit of that and are phasing on that and.
We'll talk a little bit more about that later in the presentation.
Single-family Rentals, again we talk a lot about this segment, a little bit slower growth on bringing online some of these new units and and the the reason for that has been that the our our local jurisdiction in Arapahoe County updated their building code regulations.
Last summer and it had a lot of new electrical standards that it took a bit longer to get through the permitting process. We're seeing that necessarily on the build for rent on our builder partners that are building the units that we reserve for ourselves as well as some of our builders.
In general, so some of that phasing on Phase 2B, I'm getting more of those lots into homes and more home sales on that are a function of kind of that delayed process, a process that typically takes two weeks has been taking, you know, up to six months. I think they're most of them are.
Through that process. Now you know the the process that they do is they get their masters approved, which are this is the this is the type of home that we're going to put out there without that home being identified on any specific lot. Once the masters are approved, then you know each individual building permit goes very smoothly, but so we'll see.

A lot more traction on our single-family rentals in in first quarter next year and then continuing through 2026. But we're still on pace for the same number of units that we're looking for on our single-family unit to get up to about that 100 units after phase two.

Take a little bit more. For those of you who are going to be a little bit newer, I'm going to elevate this up a little bit now that we've gone through kind of the quarter and then we'll highlight some of the specifics about what we think about the market and things like that. But we operate in three business segments.

You know, we have water, wastewater where we own a valuable portfolio of water rights here in Colorado. Our portfolio can serve up to about 60,000 single family equivalents. And as you'll see in inventory levels, we're really just getting started on some of that. We're starting that through the development of Sky Ranch, but also some exciting.

Things are happening in and around our service area. So we have a lot of potential for providing services to the Lowry Ranch on the service area. If and when that develops, we have a land development segment. That's really where a lot of the activity is focused, where we are cradle to grave, where we do the utilities on that. We go horizontal with all of the infrastructure, the roads, curbs and gutters. And then in some cases our third segment is the single-family rentals. We go vertical with those houses and we maintain those houses in our portfolio to rent out for single-family homes.

And and really the the changing dynamics and this is really shifting between, you know, is it, is it more favorable to buy a home or is it more favorable to rent a home? We really try to vertically integrate ourselves in both those segments so that we can really service both sides of that.

Let me highlight a little bit more color on the water segment. So our water systems are about 65 million in total water assets and and really that's split between the water rights portfolio. We continue to grow that portfolio by you know tuck in. Acquisitions where appropriate. So we have about $32 million in the water rights portfolio, 24,000,000 in water and wastewater systems. Those are brick and mortar. Those are pumps, wells, water treatment facilities, tanks, distribution facilities, that sort of stuff. And then that $9 million in wastewater, we have two.

Wastewater systems that we really reuse 100% of our water. So every drop of water that comes to our wastewater system, we're cleaning it up. You know, we bring that back to a regulation quality where we can reuse that water supply. We have a dual

distribution system throughout Sky.
Ranch where we can deliver that highly treated effluent water to our parks and open spaces to irrigate our outdoor parks and open spaces. So we really capitalize on good stewardship of our water resources in a water short area.
This is a little bit about the water utility segment and kind of the capacities that we have acre feet of production. We have about the ability to produce about 3000 acre feet a year and and depending on our largest customer being the industrial segment. You know this year you see a little bit weaker deliveries of water just because of the the the known and forecasted gap in industrial water sales. But we do have plenty of pedal that we can continue to provide industrial water for oil and gas.
And then taking a look again to highlight the amount of water that the company has, the unallocated amount of water on that, we do get two revenue sources from that. So if you look at these two systems, the the production capacity allows us to get that year over year revenue and then the portfolio of our water.
Water translates into how many units we can serve of that 60,000 and we get you know a strong connection fee for that that that connection fee continues to to rise really translating to the scarcity value of water and the cost of delivering that water.
To customers, but that is about $40,000 per connection fee now and taking a look at how that translates into the full capacity of that, that's about 2.3 billion, $2.4 billion worth of connections you know we add.
We'll have about a billion dollars of investment as we build that system out, but we're really using a very, very small capacity of that portfolio. So that kind of gives you a flavor for those of you that are new to the company of really where the the outlook for the company is.
Do want to highlight one new development. I know some of you have seen a a number of these things, but if you take a look at the the mapping to the right of this, that that pink shaded area, we like we we call it light red, but it looks more pink. That's really our service area. That's the Lowry Ranch.
Above that in the blue is the Sky Ranch property. That dark line is I-70 and about four miles north of that is the Denver International Airport. So it gives you kind of a proximity of where we're at in the Denver metropolitan area and and we've shown a number of times, you know, kind of this.
Graphic where development has encroached this Lowry Range property and there was that one outfall or an out parcel on the Lowry Ranch down in that southeast corner. It was 1/2 section of ground that was privately owned. That property is now

under development and So what you're really seeing is just kind of a surrounding of the.
Our service area and it it just highlights the the location that the company's assets are in in the Denver metropolitan area. As as those of you who've been to Denver know you know we're we're we're effectively live on an ocean. We can only grow in one One Direction, we can only grow to the east.
We have a natural barrier of the Front Range, the mountains on our West side. And so you know we find ourselves in the right part of town, not only with land interest that we own, but also our water assets and our service area. So that's a that's been a new development for those of you that are joining us on.
Our our investor tour next week, you'll get a chance to see some of this first hand, but it's a a exciting development where we continue to see the Denver metropolitan area grow out and beyond our service areas.
Talking a little bit about our land development segment, we do inventory land interests and we'll take land interest from raw land, add our water resources to it and then be able to get the zoning and and go horizontal with that zoning so that we develop.
Finished lots for our home builders and and and in that segment, the interesting thing is and we're becoming more of a Unicorn in that segment because there are fewer and fewer developers that are actually doing the horizontal work. I mean they're doing the hard work of actually contracting for the grading contracting for.
Building the wet utilities, ultimately streets, curbs, gutters, all that to a finished lot and and really makes us not only an entity that does that, but also an entity that's doing that in concert with how the public home builders.
Are looking for that metric to be done. And so you know what we're seeing is a very strong partnership and a strong relationship with our home builder partners in you know markets that tend to be cyclical. And so they're they're appreciative of us, you know, handling that portion.
Of this work element, us being able to deliver those lots on a you know as as a real time basis as as the market continues, the market demands that stuff and and So what we see is we can dial up and dial down on those as the market continues to flex in that space. So that's been.
Very, I guess, satisfying to see how our business model really is capitalizing on that partnership and not really imposing hard decisions on builders where they, you know, may or may not be able to move forward given the level of sales or given the

level of inventory that they might be running.
Running with.
If you want to highlight phase two, so this little bit of an update on that phase one as we've talked about fully complete phase two, we've delivered all those lots and and we've got about 115 homes up and and sold.
Phase three, phase 2C there about 228 lots and you can see most of the roads, curbs and gutters are finished. So we're just punching out some of those items on phase 2C for delivery by the end of the month and then phase 2D, you know we're we're making continual progress on that and.
You know we're we're able to dial that up and dial that down depending on how sales and inventory continue to go. But you know we have that product that's available and we don't have you know a a tremendous amount of infrastructure that is new that new to that side just because we're continuing to.
And so most of that major arterial roads and and and water and wastewater and stormwater systems are already developed. So we do have that ability to continue to add those. We've got new builders in phase 2D that do want those lots as quickly as we can deliver them and then we've got.
Learning builders in phase 2D that would like to eat through a little bit of their inventory and we have the ability to do both of those. So very, very, very real time in terms of our ability to deliver land development and finished lots.
Another exciting announcement for this year is groundbreaking on our high school. As many of you know, you know, one of the most important things when we started this project was to really have a full K12 campus on on site such that all the kids in the community have access to that. It's centrally located.
So families can walk to the school and and we've had our K8 open partnership with National Heritage Academy out of Michigan and and they've been terrific partners and and so this was a groundbreaking on getting the high school under construction. So they will be going.
Vertical on that over the next 12 months and looking for bringing those classrooms online for school year of 2627. But that's very exciting, you know getting a continuing with the development model and and very exciting for our home builders. You know this is a high.
Highly attractive model for for new families that are coming out that that the local schools are here. There's a full K12 campus for them.
Taking a little bit on some of the things that we've been talking about for those, this

is an illustration on how the one project that we have the the our main development project Sky Ranch builds out. And so when you take a look at the inventory for both residential lots as well.
As well as commercial lots and we do have quite a bit of commercial on this as well. We've got about 3200 single family equivalence zone for the property, but we also have about 2,000,000 square feet of commercial. We do have an interchange that's at the at at the site.
We're in the final stages of finishing a permit for removing that interchange and making it larger. And so we've got, you know, we have not started any of the commercial development yet. Some of that's going to be predicated on having a little bit more of the residential development. Some of that's going to be predicated on finishing the interchange.
But taking a look at kind of the revenues on that, when you take a look at what we've done to date on the residential, we're about 22% done. So still plenty of pedal left on the residential side, really nothing started on the commercial. And when you combine those two and and how we try to illustrate the commercial is an equivalence.
To the single family rental or not single family, the single family equivalence. So it's about an 1800. So we have about 5000 overall lots that we have out at Sky Ranch and so we're still very early on on that and when you take a look at kind of the sold in that category.
You know that generates something close to about $620 million of income for the company. So still very early on and and continuing to really put up some very good margins on that because of how we're delivering that that we really don't have a large financing cost occurred with that we have.
You know good relationship with our building partners to continue to develop that. So that gives you kind of a full scoping of kind of that whole project taking a look at the single family rental market, you know why we like that segment very high.
Margin opportunity for us, we maintain the equity in both the water systems as well as the land development costs on that. So when we've got all those horizontal improvements, we're really holding that value, which can be as much as $150,000 per lot.
And then you know we're partnering with our home builder partners who are building you know their product on this on on each individual phase and and they're building that, they're building that product for us and it's a good partnership for

them because they have already sold the home, they they have those margins built in and and.
They also and sometimes can can rent back that facility to use that home as a as a model home for folks. So it's been a very a good model for us and a good model for our home builder partners. And so we'll continue to add to that portfolio taking a look at kind of how we want to build those numbers.
We really have only 14 units started. We've got five under construction with another 14 that are close to final permits on that in phase 2B and then we have probably 3538 more units coming on in 2C. So you can see a strong acceleration in.
That segment over the next 18 months.
If you take a look at kind of how that growth is going to go, so from from really a modest start on phase one with four homes continuing to add those numbers in each of those phases up to what we're going to have is 98 homes from phase 2D. So you can see a lot more traction and a lot more velocity.
In that single family rental portfolio over the next 18 months or so.
Liquidity kind of continue want to highlight you know stewardship of the invested capital. So you know we have a terrific balance sheet, high degree of liquidity, very important in in in volatile markets, right. So we have the ability not only to continue to invest.
In our own systems and and make sure that we've got the proper inventory of finished lots for our home builders, but then also opportunities where you have a weakening market segments present opportunities for growth.
Where you know we take a look at how can we deploy that capital and and I've talked you, you've heard me talk a bit really about where our our our priorities are on our capital stack and we really look at you know using that liquidity to invest into our business segments to deliver finished lots to deliver water and wastewater.
Water systems so that we can continue to meet the demands of our our heavy users, oil and gas customers, take a look at, you know, opportunities to invest into additional water rights, but more importantly opportunities to invest in the additional land acquisition opportunities.
You know I know there's a lot of you continue to monitor that well and and and you know I'm a bit cautious on on what kind of discussions I lead to in a in a public call but we're very active on.
Casting our Nets out with opportunities with landowners in and around our area that we might be able to provide water service to for those opportunities, but really

maintaining that liquidity so that you know we we continue to grow the business and so you know we we've we're very I guess seeing some of the.
Benefits of that, that cautious capital strategy to make sure that we're able to execute our results of of our business model and that's that's really the fundamental premise of what it is that we're doing.
You move over to Outlook. Um.
So this is probably what the most interesting slide for all of you is to say, well, how is the housing market? You know, the headwinds in the housing market are, I I'd say the biggest one is just the consumer confidence. You know, is is the home buyer confident enough to pull the trigger on that?
When you take a look at consumer confidence, the companion opportunity for us in that area is a market segmentation where we are one of the few entry level master plan communities available. Not only an entry level master plan community, but one where we're actually the.
Partner with our home builders where we're doing the horizontal and then that again, I don't know how other markets are positioning on this, but home builders, you know all the national home builders that we work with have said you know how appreciative they are of us as our model because there are very few folks that are in a.
Position to deliver both the horizontal infrastructure and that horizontal infrastructure to segment that entry level buyer mortgage rates. I think mortgage rates are always of interest to the home buyer, but I wouldn't say that they have been as.
As a bit of a headwind as it has been in the last couple of years, I think the transition from a low interest rate market to a more normalized interest rate market has has really occurred and and so that home buyer isn't trying to time the market on seeing if.
You know, mortgage rates are going to move a half a point or not half a point. I think that that's, you know, it does, it does have an incentive for those that are on the sidelines that are trying to jump in, but it's really less of a headwind than it has been historically. Affordability is always.
A headwind and it really doesn't matter whether it's Colorado or anywhere else. I mean you know just the affordability of home ownership these days and and really again that that that that companion metric for us on.
An opportunity side is our market segmentation and then you know we do have a bit

more of a rising inventory mostly just because of the slowing of the market. You know we have a low market segmentation is good for us. We have a low inventory in the Denver area of entry level.
Almost.
We're probably one of the only ones that have that. And then I will, you know, highlight our phase delivery so that neither us nor our home builders are being forced with high levels of inventory. Now that translates, I put these metrics up, you know, in phase two, ABC and D and then we do have another.
Fifth phase, phase two, 2E that will come online as well. But when you take a look at this particular highlight, you know what we were seeing is really real time delivery. When we would deliver the lots within that year, nearly all of those lots would be vertical if you take a look at that metric from 2A.
And 2B, we're seeing a little bit of a slowdown on that. So about half as many lots vertical and sold in 2B that we've seen. I think that's two reasons. One, you have a weakening market, but then secondly we had that that new building permit process, so.
I think it was the home builders got caught off guard on that and it took a little bit longer for them to get their masters approved on on phase 2B2C. Those delivery of lots are going to be at the end of this fiscal year, so August of this year and then 2D as as we highlight here, you know we have some new builders.
In there that we're going to be delivering some lots this year as well and then we can phase the balance of those deliveries and then again phasing into two E and it really it kind of depends. We've seen some of our home builders who got in early and they they had all their building permits. So they they took their entire inventory.
Built that out on spec and are selling those out. We've got some builders that you know because of their market segmentation and and and the price points they they sold, they sold their entire inventory even before they went vertical, which is almost unheard of. You know we had our paired product out there.
The duplexes out there are our home builder that that has that product was able to sell all of their lots even before they they they broke ground on them. So that was a price sensitive. So we we continue to see strength in those.
Deliveries of that entry level market and and and you know we're also seeing we have we have several segments in that entry level where it's you know a a paired product or a townhome product and then smaller single family homes that may be you know 1800 square feet to larger single.

Family homes. So even in that entry sub 500 market, you still got some micro segmentations in there and and we're seeing you know very attractive results mostly just because there is no inventory of product at this at this price point.
So the next few slides are kind of carry over slides from our year end presentation and really what we were trying to do is give give investors a a look at how we look at the company and how we're managing our capital structure both for the current year for the short term outlook being that.
Three to five year where we're really strong in investing in our inventory of laps and then the longer term where how does Sky Ranch build out and how are we going to look at you know the additional service areas whether that's going to be the Lowry. Lowry Ranch service area or other acquisition opportunities. And so you know this kind of highlights that in terms of those areas on the water utility side and then taking a look at the land development side, some of the the key drivers in that, I won't highlight those as as I know we've highlighted that in our last three calls.
And then also taking a look at it from single family rentals, we look to get to that close to 100 homes over that period of time and then translating that into really what we think that outlook does for the company. And so this showed a little bit of a trending analysis of how we were building that from.
2023 to 2024 results and then 2025 results and and kind of shows how we're how we're positioning ourselves on that. You know we're looking to deliver pretty close I I'd say you know within.
Within a short pot of what that 2025 guidance was looking like that will depend on you know kind of the home builders coming and and particularly closing on on the last balance of those lots on the end of August and then what it looks like in that kind of short term area where we can continue to.
Build out some of that residential, we're going to complete that interchange and then take a look at some of the entry of some of the commercial in there. So that kind of gives you a little bit of a a projection of how that translates into the balance sheet in terms of revenues as well as earnings per share.
And then you know how that drives shareholder value. So continuing to kind of highlight those in terms of the water revenue, this is the recurring revenue side of it and then the single family rental revenues and then asset growth through that showing that you know build out of Sky Ranch, so.
You know, one of the one of the secrets to the company continues to be the hidden value, the stored value and these these highly appreciated assets that the company

has been able to acquire over the years, both in terms of the water assets as well as the land assets that we have and whether we're serving land interests where we're the.

Developer or whether we're serving land interests where others are the developer or inner service area on the Lowry property, you know it continues to build value and and really deliver results for housing in the Denver market.

You know reallocation of capital for we continue to repurchase shares. You know we probably a little bit lighter in Q3 mostly just conserving that cash for making sure that we're delivering that for our our our business model, but we continue.

Continue to really be in the market to repurchase shares on a on a programmatic basis.

So with that, what I'm going to do is remind everybody if you if you're registered, we have both a fiscal tour where we'll actually drive around and and show you some of the phases that we're doing, you know kind of where the market's at in Colorado, some of the water assets that we have, so.

That and then right around 12, I think we'll have kind of a virtual Q&A and I know a number of folks register for that. So that's an opportunity just to have a more fireside chat with kind of how the companies.

Inventories are going and how the market looks. So that'll be on July 16th. If you haven't registered for that, please do so that we can make sure that we have the the proper links for everybody. But what I'll do is I'll open it up for some Q&A and see if we can provide a little additional color.

Thank, thank, thank you, Mark. And just as a reminder to everybody on the call, so you do have the ability to unmute yourself now. If you look at the top bar and see the microphone button, you can click on that and unmute yourself and turn on your camera if you wish.

If you're on a phone, you can dial star 6. And with that, if there's any questions, we'll take those now.

EK **Eliot Knight** 42:06

Hello.

Marc Spezialy 42:06

Hi, Eliya.

Eliot Knight 42:07
Hi there, Mark. I've got a couple of questions. Pure Cycle has a couple of reservoir sites and is anything going on with them? Has any development started on them?

Marc Spezialy 42:26
No, not really. They they certainly were a component of what we continue to do in our water utility. And so we had, we've acquired some water rights up in Weld County that we're looking to develop in concert with our surface reservoirs.
You know there's there's some regional opportunities with the surface reservoirs. I would say you know those are mostly confined to kind of partnership opportunities that we may or may not have with.
Partners that we have with the South Metro Water Supply Authority. So as many of you who really drill down into the company's assets, we have, we have a water supply called the Wise Water Supply and that's in concert with about.
13 different water providers in the South metropolitan area and and there's there's groups and subgroups of that that look at kind of shared infrastructure where we're looking at shared infrastructure on delivering water rights that we've acquired over the last five to seven years to bring that down into the reservoirs.
And and perhaps make capacity available for other opportunities in that, but those are going to be long range assets. So I I'd say those are going to be more build out assets that really will be consistent with developing up to that 60,000.

Eliot Knight 43:45
Mhm.

Marc Spezialy 43:55
Residential unit capacity.

Eliot Knight 43:58
OK. And then on slide 20 where you said it was at least looking at the map as I saw it, the lower left hand corner and you said this is a new parcel that is.

Marc Spezialy 44:07
E.

Eliot Knight 44:14
Now being developed, where will the water be gotten obtained for that? Where's the owner gonna obtain water?

Marc Spezialy 44:23
Great question. And I and I failed to mention that that particular property was annexed to the City of Aurora as as long as 20 years ago. So it's been in that utility service area. So they'll get their water from the City of Aurora, but you know as you can see it really.
Does surround the Lowry property and and and that's a you know beautiful people project that that those are going to be you know those are not entry level homes I guess let me put it that way but you know terrific.
Vistas out there, they they sit high. They're going to look out over the Aurora Reservoir, which is owned by the City of Aurora, as well as one of the reservoirs that we have that will ultimately build. So it's a it's a really exciting project to see get started, but it it it is in the city of Aurora.

Eliot Knight 45:17
And actually one one other question in the 10K that was filed, I noticed the footnote that there's something over 1000 acre feet of water that I guess is.
You're trying to have permitted and it was turned down, but you're negotiating with people. What's this there? How much water is involved and when do you think that might be resolved?

Marc Spezialy 45:43
Yeah.
So that you know we were applying for a new water right there and so water, you know it just it continues to get more and more challenging to to develop water resources. We were doing a new water right that was allowing us to take some more.
Water out-of-the-box Elder Creek, which flows through the Lowry range and augment that farther up north with some of the supplies that we've acquired up in the Weld County area and it was a very complicated exchange and so we did not prevail on that.
But we had other, we had three other claims that were in there and so that would

that was held in suspension and and we've been working with the groups that were opposing what we were doing on Box Elder to try and find a resolution to that. I think, I think there's a path forward for both us and them.
So that they get some interesting things that are helpful for their systems. We get the things that we were looking for, but we'll we'll wait to see how that plays out.

EK **Eliot Knight** 46:57
OK. It's a work in progress. Thank you. Thank you.

Marc Spezialy 47:00
It is a work in progress.
You bet.
Just a reminder, if you have a question, go ahead and hit the mic button to unmute yourself.
Well, must be an early morning presentation.
Well, if we have no other folks that want to weigh in on any of the specific color, I do know we do have a number of folks that have registered for the Investor Day and then we'll have another opportunity as all of you digest.
Our earnings call here and in our presentation that that may that may trigger some more questions next week. So we do have a a number of opportunities to weigh in and and and don't hesitate to give me a call directly. You know we we want to make sure that everybody gets an opportunity to understand.
The company, you know we're well positioned for some significantly valuable assets and and really investing to monetize those assets and and and as I I keep mentioning you know I think our business model really shines.
It shines not only with how we are delivering what is a a a truly difficult product, right. You have to yeah we're spending you know eighty $90,000 to deliver these lots and and you know you want to make sure that that cycle matches demand and.
And and how that works. And so when when a lot of that infrastructure is in place, the water system, the wastewater system, making sure that you know we have the ability to dial that up, dial that down for customers like oil and gas customers that that can be cyclical.
And you know, there can be a lot of activity going on in one given year. There can be, you know, years where you have a little less activity. And so our ability to float with those big, big accounts like that is truly unique and we're well served and being able

to add capacity, we don't.
We don't overextend ourselves on those areas and then we really look for opportunities to continue to deploy that capital to continue to grow the company.
So I think we're, you know this is a, this is a terrific illustration of the flexibility of how we manage these these highly.
Valuable assets and long term assets. So if anything comes up, don't hesitate just to give me a holler or weigh in on our fireside chat next week.
But I'll give you all a last call for uh ringing in on on today's call.
OK. Well, with that, I will bid you all a continued healthy and prosperous summer. Get out and have some fun and look forward to seeing all of those of you that have registered next week. So with that, take care and we will be speaking soon.

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