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Marc Spezialy 0:25

Good morning, everyone, and welcome to Pure Cycle Corporation's third quarter 2026 earnings presentation. We've started the presentation with everybody on mute as our CEO, Mark Harding, goes through our financial results. At the end of the presentation, we will open up the lines for Q&A.

And with that, I'll turn the mic over to our CEO, Mark Harding. Thank you, Mark. And I'll add my welcome as well. With me is Marc Spezialy. He's our CFO, and he'll give you kind of the detail on some of the technology questions as we get into the Q&A. portion of this. Also with me is our controller, Cyrena Finnegan. So if you guys have any drill down questions on the accounting, I'll share the mic with her and have her walk through some of those. As Mark sort of announced, this is our Q3 presentation, and we're delighted to be able to bring you some very solid results here.

As we start the presentation, we'll start with our forward-looking statement. I'm sure most of you are familiar with that, but statements that are not historical facts contained or incorporated by reference in this presentation are forward-looking statements.

Continuing on, you know, it's my pleasure and really the company's benefit to continue to work with a great management team, you know, a ton of experience on this team and really bringing value to the shareholders on a day-to-day basis. At the board update, on board composition, we

have had a couple of resignations of two board members that are related to a 13D filer on the board that you've likely seen. There's no drama with these. They represented an SPV vehicle, which holds about 13% of the stock and are working really in the best interests of the limited partnerships for the SPV.

and then combining with the restrictions that come on with the board. So I think we'd like to acknowledge their service and their contributions and thank them for their efforts and wish them the very best. Taking a little bit on the overview, another great quarter and continued execution of our business.

Most notable really was refreshing of our liquidity after accelerating the development timeline of our phase 2D. We had kind of two phases that were kind of developing at

the same time. And because of the mild winter, we really did continue to reinvest on that, accelerate that, deliver those lots a little bit early.
allow a couple of our new builders to get a head start on what we were looking at on delivery of that product towards this summer. So that really has seen a refresh on that, and you'll continue to see that through year end. But, you know, we still have almost a little more than 7 consecutive years of profitable
quarter over quarter and really execution of monetizing our highly appreciated assets with on the balance sheet and carrying that through to the income statement. Let me dive right in on the Q3 results. Taking a look at revenue, $8.2 million in revenue, $4.3 million in gross profits. That takes a look at about a 52% margin on revenue to gross profits. So, you know, we do have a real highly appreciated asset base that really continues to drive shareholder value.
Net income and earnings per share reflective of our percent complete revenue recognition and advance of phase two ahead of a typical seasonal schedule. So you do see very strong Q3 results that really are carrying that momentum from Q2. And so this kind of
is a bit more indicative of sort of an even flow revenue and earnings cycle, which is not all that typical for us just because of the seasonality of the construction schedules here in Colorado.
Moving over to total revenue and total gross profit for year end. And as that relates to our yearly guidance, we're a little ahead of our schedule on guidance as we would typically do. And that's really, again, to that seasonality issue, but we really are optimistic and looking forward to a very strong year end as well. So
This gives you kind of a feel for where we're at year to date.
Taking a look similarly with net income and earnings per share for yearly guidance, also favorable for the Q3 typical guidance, and then also looking to finish the year strong and be able to deliver within forecast or maybe a wee bit more than what we were looking at on the forecast side.
With those as the detailed on the quarters and certainly willing to drill down on those with some Q&A on that, I do want to just give you a quick update for those of you that are newer to the company and talk a little bit about why we think this is such a great company and why we think what it is that we're doing is
is very unique in the marketplace. Certainly the water side, you know, we're able to capitalize on owning water rights, and that's very specific to most of the Western United States, very specifically in Colorado. Colorado is probably the tip of the sword

on defining ownership interests in water.
And how we do that, we really provide water, domestic water, which is your potable water supply to retail customers. You know, that's homeowners, businesses, industrial complexes. We also provide raw water for industrial uses. That's primarily in oil and gas. And we do have a
a very active oil and gas field right on top of where our water supplies originate. So that's a very efficient framework for both us on a profit side, as well as the operators, because very lower, much, much lower costs on them being able to transport that from source to pad sites. And then, you know, we continue to add customers to our systems and those connections
are very sticky customers because in 100 years, you're still going to be doing the same thing with water that you're doing today.
Taking a specific look on total water revenues were strengthened by better than expected industrial water sales compared to last year specifically, and look to finish the year strong in that. And really that was a function last year with the fact that most of our main operators in our particular area of the field were
really accumulating a number of permits, well permits. And so they do have all those through the Oil and Gas Commission here in Colorado and really have been executing that. I think it timed out very well for them with the price of oil. So I think a lot of that activity is
looking to be strong, not only this year, but also over the next several years. Tap fees also are strong, a little bit stronger than they were previous years, year to date, as well as year to finish. And that's mostly because we have several phases that came online and were delivered in 2026. So
you're likely to see continued strength in the tap fees, not only through this fiscal year, but also next year.
Taking a look at the industrial water sales, that gives you a little bit of picture. We had a strong year, probably not as strong as what we saw in 2024. And that was just a record year for us in that, but we will see a pretty good year, real strong year for us as we complete
this year. And still, again, as I said, really look to see continued strength in that over the next several years as they drill out the remaining wells that they've already permitted. And then they'll continue to take a look at other well pad sites within this field just because of the size of the field. It's a very large field.
And we have a very broad ability to supply water to most of this area.

Next slide really shows that we continue to invest in our business segment on the water side, making sure that we have capacity for our industrial customers as market conditions for oil and gas continue to dial up. And as most of you know, you know, the oil and gas industry likes them to be at
their beck and call. Sometimes they call, sometimes they don't, but they do pay a premium for that availability. And so, you know, we continue to make sure that we're investing in that production capacity. We still have a little bit of petal left in that. And so as they continue to dial up that drilling program,
and the opportunity to capitalize on the price of oil, we certainly are ready to meet that demand and look forward to that demand because that's a very high margin business for us.
Let me move on to our land development segment. As most of you know, we also, in addition to being a water utility, we bring that water to land interest. And that land interest really is really increasing the value of land through water availability here in the Denver area. And so water can be worth as much as three times the value of the land. And what we
are able to do is acquire land interests and develop those land interests and also develop the water utility for those customers that we're developing the lots for.
This year was a very good year for us on developing lots. We delivered approximately 430 lots in the last 18 months. So that was kind of a dial up that you heard us talk about probably in 2024 timeframe when the market was much stronger. I wouldn't say it's not still doing well, but it's not as strong as it was in 2024.
But we were moving into our next phase, 2E, which is a bit smaller than our usual phases. We typically are looking at around 230 to 250 lots per phase, and 2E, just because of its size, is right around 159, 160 lots compared to our average lot size. But We continue to really pace our finished lot work where we're investing in that land to pace that with the housing absorption. So I think that that's going to time itself very well with the kind of the headwinds that are in the housing market. And really it's just a
you know, good housing market, really good segmentation for us at the entry level product. But, you know, there is a consumer confidence issue within most of the home buyers in the market today.
Also showing strength through Q3 on lot deliveries, almost 70% better than last year. And that was really moderated by a very mild winter. But I think that that will even out as we get into our year end and realize the percent complete for what we had

under contracts. But we do look to deliver strong results through our fiscal year end. Breaking this up a little bit, taking a look at the phases. As we have been talking about this, each of these phases we have, you know, portfolio of builders and really our business model here is to really try and match deliveries to our home builder customers for an annual inventory. We want to make sure that
We don't overinvest into what is a very expensive lot delivery mechanism that ends up creating a high inventory for our home builders. And then we also want to make sure that we can match the demand for lots and houses together with the supply of delivering those finished lots, because there's a long lead cycle.
on delivering these finished lots. And so we took great care to make sure that we're pacing that deliveries together with the home builder customers. This sort of shows you kind of completion of each of these two phases. And it really shows you that that pacing of about 230 lots per year. You take a look at kind of the acceleration through phases 2, C, D, and E,
which is now in progress. That kind of gives you a feel for a little bit of that increase in revenues and gross profits for that. And it really was very attractive home deliveries in phase 2C. You can see we've got very strong
development of those. So I'd say maybe a third of all those lots are vertical right now. And we're seeing probably 25% of all of the inventory that our home builder partners have are sold homes that are occupied. So very strong sales.
at that entry level price point. That phase 2D, you know, that really delivered ahead of schedule and allowed some of our new builders to get vertical. We have two new builders to the portfolio, Pulte and Oakwood Homes. And then they're getting their model homes up and
into the market. And then phase 2E, which is right across the street from our school, which really is our next phase. That'll be delivering for summer 2027, but it shows you the grading activity on that.
This kind of illustrates how we phase our development schedules and the way we like to deliver this with our home builder customers is that we have what we call a flow fund type contract where we are delivering a plat. So home builders
get the title to a plat where they pay 1/3 of that lot cost. And then that allows us to fund the grading work activity and the wet utilities. And then the second payment after wet utilities allows us to finish the lots. And then we really wait to take our margins on the finished lot delivery. But
We still look to do that. Phase 2 is a little bit unique in that. We got started on that

one just to make sure that we're capitalizing on the cyclical seasonal weather out here. But really seeing how we can continue to match our
customers cash flows to the product delivery cash flows.
Very proud to work with our charter development partners, National Heritage Academy, on our school campus. And this just is a terrific asset for the community. We've got a K-12 campus just finishing the high school for opening this August in We're thrilled that all of the residents here can have a local school that is accessible, it's walkable, and really provides A terrific opportunity. And we continue to get feedback from the community that this is the reason, one of the primary reasons that they
are relocating to the community. And so this is just a terrific asset for us.
Why not talk and give everybody a little bit of update. This is what we try to do to kind of give you some focus about where the metropolitan area is and where the company operates. Our sandbox really is right on the path of development in the Denver metro area. As many of you know, we sort of live on a notion where we can't move to the west, given the terrain on that side. And really all development activity is growing to the east. And it shows you where Sky Ranch is positioned right along Interstate 70 there. That's the blue parcel in there. We're just, you know, terrific location on that. That's primarily why we continue to see strength in what we would otherwise
have as a more challenging housing market. And then also our service area at Lowry. State of Colorado owns the Lowry parcel, but you know, it's one of, it's probably their single most valuable parcel. And there's just a tremendous amount of development activity going on all around the borders of that, on 3 borders of that property. And so it kind of gives you an appreciation for
you know, the magnitude of our service area, which is 24,000 acres, and where our service area together with our development projects are on the growth of the metropolitan area.
Taking a look at our single family rental aspect, we did have a bit of a, as we foreshadowed in Q2, pivot on some of that as Washington was looking to
I guess update institutional ownership of homes. What we were taking a look at was, you know, building this segment up to about 100 homes through phase 2E and really did do a bit of a pivot on that. We revised our segment so that we can moderate that expansion. We're able to
push back some of the loss that we held for reserve to some of our home builder

customers. And then, you know, really we're concentrating on building the homes out that we had contracted for. So instead of looking at bringing up to 100 units online, we're backing that off into, you know, the high 60s, low 70 unit timeframe. And that's a, there's several reasons for that. One, you know, we wanted to make sure that we understood what that regulatory climate was going to look at. And then secondly, we also wanted to make sure that we really could define the return on investment for that. And so, you know, we'll be able to get a better feel as a mature segment, pausing this at this level.
take a look at maybe monetizing homes, a few of these homes to check and mark to market, you know, what our assumptions are on the rate of return on that, and then make an assessment on how the portfolio stands to carry forward.
Taking a look at how that's scaling, we're delivering. We have 30, almost 40 homes completed now. We've got another 30-ish homes under contract that'll deliver through probably calendar year 2026. That'll bring us right around that 70 home unit. you know, the strong advantages of this are we're seeing tremendous demand on the rental side. In fact, you know, we've got most, I think almost every one of these homes are leased as they deliver. And in some cases, we've got homes leased that won't deliver until, you know,
October, November timeframe. So our real marketing program for this and the acceptance of, you know, people understanding that this, that we do have a portfolio here that is an institutionally owned portfolio where we have our team that can continue to rent these and maintain these.
really does provide a stable income stream for us on a recurring revenue basis. So those are the those are the positive aspects of it. You know, the negative aspects would have been, you know, how the how the government was going to regulate this. I think that's settled down a little bit. So it gives us a little bit of comfort, but we still want to get a good measure on what that rate of return is.
This is a little bit of a metric on continued growth in that segment. So you can see that that continues to appreciate with the home deliveries. And, you know, we have a tax advantage of the appreciation of the asset compared to the fair market value and the book value of those assets. So those do give us some really attractive tax advantaged ways to hold the portfolio.
Next slide will be just kind of how we were looking at growing that and really see that scale back from where we were, you know, taking as much as 30% off of that from where we were geared to go.

Want to talk a little bit about shareholder value, capital allocation. You know, we continue to really reinvest within the company. And so you see strong appreciation on the balance sheet, good growth in the asset portfolio. You know, the big story, and I know you hear me talk about this often, but the big story on the asset side is really
the legacy assets and the cost basis that we have on both the water and the land assets. And we acquired, you know, the water very many, many, many years ago at, you know, very, very low basis on that. And it has just a tremendous opportunity to continue to drive shareholder value. And similarly with Skye Ranch and the land assets, you know, those are very small,
cost allocations on the balance sheet, but they drive a tremendous amount of revenue on the income statement. And then, you know, as I mentioned on the first part of that, the liquidity continues to strengthen. And that will continue through year end and, you know, also may give us the opportunity to strengthen our shareholder buyback program.
You know, what we really like to highlight here is our continued diversification of revenues and revenue mix for stability and resiliency in that under any market conditions. You know, we have great revenues from Waterside, from the
land development side, and then from the single family rental side. And all of those have different industry segments that don't, while they're related, they don't quite overlap. And so if you have strength in one and weakness in another, it really allows us to have a very stable balance sheet and income statement. So we very much like the diversity.
diversification that we have on our asset base.
Moving over to shareholder values, building recurring revenues, continuing to add shareholder value through asset growth. So you'll see those continue to grow year over year. And we have got, you know, just a nice growth curve on that for us over the last several years.
Profitability, you know, this is kind of what we were looking to do on guidance for you. And a lot of you have seen this through each presentation, but we look very, very strong to meet our expectations, maybe exceed those on our fiscal year guidance, but we'll see how
the fourth quarter comes in.
Valuation sensitivities is kind of where our guidance was. Gross revenues between 20 and 32 million, earnings per shares in that 50 cent range plus or minus. Upside

timing acceleration. Really some of the things that I think everyone's looking forward to is kind of the commercial.
We do have some local commercial opportunities that really aren't right next to the interchange that we're in the market for. We do have some strong representation by Cushman and Wakefield on both the commercial, retail, and then a Cushman team on the industrial side.
Look to have continued improvement in oil and gas on our industrial water sales, and then just continuing to execute on the land development and water utility side.
Continue to reinvest in our sales through share repurchases, and while our priority continues to be invested in our
business segments. And that does take a tremendous amount of liquidity, which you saw. And that dip in liquidity in Q2 really wasn't of anything other than our acceleration ahead of our typical flow fund agreement. But it does allow us to continue
Our balance sheet and our liquidity give us those options to capitalize on that when that occurs. And so we do that, but we also continue to take a look at share repurchases and we will see how the liquidity continues to build. And as that builds, you know, we'll continue to be more aggressive with those share repurchases to continue to return value to the shareholders.
Sheets.
A bit of an update on the interchange. We continue to work with our governmental partners with the county, Arapahoe County, on getting that permit. This is a county project together with Cairo Department of Transportation, CDOT, on the design side and getting the permitting process on that. We look to have that
You know, we've submitted each of the phases of the permit to CDOT on that for their comments and modification. So we look to get that into them sometime towards the end of the summer, and then hopefully be in a position of getting that permit issued sometime early next year with the opportunity to start.
construction of that interchange in late 2027, which really will give us a tremendous opportunity to open up the commercial on and really stack into the revenue side.
Well, you know, we've got a very good growth story on delivering residential lots. And so you take a look at that and we're at that $25 million a year.
stack on being able to do that and continue to work that through on the build out cycle, which might be another seven years or so. But then when you can layer in that similar amount of revenues from commercial, that almost has that doubling effect of

our revenues. And so that will continue to supercharge what it is that we're doing. Also wanted to just give you all a quick video tour here. And this is just a continued visual representation of what it is that we're doing, where it is that we're at along the metro area for those of you who are new to the story, but, you know, just a gorgeous community. We're able to, that gives you a feel for where we're at.
on the metropolitan area, how we're looking at delivering our original phase one. Phase 2A, B, C, and D are represented here as we're approaching. That's what we have as phase 2C gives you a feel for. That's kind of the pressed market.
demand, right? So you see each of our builders that are taking a look at their product, they've got inventory, they're building that inventory, you know, they're selling that. That gives you a view of some of the 2D homes there with Pulte and then Oakwood is looking to get started this summer as well with some of their lots. There in the background, you'll see our storage reservoir for irrigation water supply. 100% of the wastewater that goes into all these houses is processed, and then we reuse that water supply to provide that to the parks in the open space. And then that gives you a feel coming into where we are with phase 2E.
That's our 2027 delivery. So you'll see, you know, that activity is the grading activity on what we're doing. And then also kind of our opening of the high school and that full campus there. So just terrific opportunities, gives you a good visual for that. We do have, just to remind you all,
We do have an investor day next week, next Wednesday, and a number of you have RSVP'd. We look forward to seeing you, but this is an opportunity for us to really kind of give you guys a tour of what it is that we're doing, have you come kick the tires. This year is going to be a little bit different.
We're going to start here at our offices and then we're going to take a tour of the Lowry property. And then from that, you get a very good perspective of some of the oil and gas development that's going on on the Lowry property as well as, you know, where
that service area positions itself in the growth of the metropolitan market and kind of get a better flavor for the importance and the value of our service area.
So with that, we'll open up the lines and see if we can drill down on any of the color for the presentation. So I'll turn it back over to Mark. He can give you kind of the instructions on how to do that and see if we can answer your questions. Thanks, Mark. Yeah, we should. We've opened up the lines now. So
If you're on your computer, you should see a button by a microphone where you can

unmute yourself. And if you're on a phone and dialed in, you'll have to hit * 6.
But with that, we'll take our first question.

+19*****55** 30:26
Yes.

Marc Spezialy 30:38
We have an early morning here, yes.

+19*****55** 30:39
Mark.
Mark, it's Elliott.

Marc Spezialy 30:45
Elliot, nice to hear from you.

+19*****55** 30:49
Yeah.
You made a comment at the beginning of the presentation.
You said, why we think this is such a great company?
In my opinion.
What makes it such a great company is that it will have so much unallocated in the way of water reserves once Sky Ranch is fully developed.
Let me probe just a little bit on that.
in earlier presentations.
in the charts that were presented.
There was a chart that said...
Trent.
Full build-out.
The assets, Pure Cycles assets would total approximately $675 million. I had to estimate that from the chart and that most of that was going to be cash.
Is that no comparable figure as shown in this series of charts? Is that 600 and seventy-five $1,000,000 still a reasonable estimate?

Marc Spezialy 32:21

Yeah, let me tell you how to think about that. And so what you take, what we look to try and illustrate, and this has always been one of the challenges for the company is when you take a look at our land and our water balance sheet assets, they're relatively modest, right?

+19*****55** 32:33
Big.
Okay.
Okay.

Marc Spezialy 32:39
Our water, our water rights we have valued on the balance sheet at around $30 million. And when we collect $40,000 per tap,
And we can collect, you know, we show we can serve 60,000 connections from that portfolio. And we're probably a little conservative with that, but let's just say it's 60,000 connections. You know, that shows about 2 1/2 billion dollars worth of water revenue. And then we get that 1500, $1700
per connection per year. And that's about $100 million year over year revenue. So that gave you the gross potential on that. On to your question about the 650 million that we've shown on previous slides and how we've given that guidance, you know, how that how we come to some of that guidance on that is

Mark Mandell 33:16
That's a train.
On.

Marc Spezialy 33:35
Let's take a look at Sky Ranch. We know we have 5,000 connections at Sky Ranch. That's our zoning. And that splits out as to 3,400 residential units. And then we, at the 2 million square feet of the commercial space, we apportion that to

+19*****55** 33:41
Yeah.

Marc Spezialy 33:56

1600 call it lots and connections. So that's how you get to the 5000 units at Sky Ranch. And if you take a look at 5000 times $40,000, you know, that gives you the math on how we're going to get to, you know, the tap fee revenue. That's $200 million worth of tap fee revenue. And then on average, we're making $100,000 per lot. So if you take a look at 5,000 lots and you take a look at
200 or $100,000, you know, that's 500 million. So that's kind of where that math comes from. That's what we make on Sky Ranch. And Sky Ranch as an asset is $5 million on our balance sheet. So, you know, that shows you the magnitude of the earning power
of these legacy assets. So that's, you're correct, and that's kind of how we portion out those numbers.

+19*****55** 35:08
Okay.
Now, based on the 3000, approximately 3000 acre feet of water that you have bought.
Since you began using the 30,000 acre feet.
sky ranch is fully developed, is it reasonable to say and think that the company with sky ranch fully developed.
still has about 30,000 acre feet of undeveloped water. Is that reasonable?

Marc Spezialy 35:46
Yeah, that's reasonable. I mean, you know, we do take a look at continuing to diversify the portfolio. And so, yes, we have added to that. We've added to that by buying some farms up in Weld County that bring some very valuable renewable water supplies. We've added to that.

+19*****55** 36:08
Yeah.

Marc Spezialy 36:08
by virtue of our water court decree that we just got finalized. And you heard us talk a little bit about, really, that's at Lowry, very local, very, very convenient for us to develop that out. And so, yeah, we, you know, while five, we talk in terms of, you know, how

how many units we can serve, that 60,000 units. And we really haven't updated that with our acquisitions, because we kind of want to balance out, you know, the portfolio with renewable supplies and groundwater supplies and reuse supplies to make sure that all of that's sustainable. But we do think we
have 30, a strong 30,000 acre feet and a strong, very conservative number on 60,000 connections. So, you know, gives us a great opportunity to continue to expand that portfolio, which we look to either at Lowry or at
other areas around Sky Ranch. And that's where, you know, the majority of the growth in the Denver metro area is coming and is on top of us. You know, there's just not a way that Denver just doesn't grow on top of, you know, Sky Ranch and Lowry and all the surrounding properties.
in and around Arapahoe County because there's no other place to grow.

+19*****55** 37:37
And that's illustrated by the fact that the borders of Denver have moved 6 miles closer to Lowry and are now adjacent to it from the time I began following the company in the late 1990s. But
What I am suggesting is that the same kind of math.
That you spoke of in.
coming up with the $650, $75 million figure also needs to be applied to the 30,000 acre feet.
Call it 60,000 taps.
And that's where the value lies, because we're dealing with a company that only has 24 million shares.

Marc Spezialy 38:36
Yeah, no, it is, you know, and and.

+19*****55** 38:37
So I'm not arguing with you. I am.
I'm just trying to...
explain how I look at it and why I think it's such a great company.

Marc Spezialy 38:53
Well, I do appreciate that color, Elliot. And I agree with you. I mean, you know, we do

have tremendous value in these assets and the water segment alone continues to really drive a lot of that value, both in terms of what we're doing at Sky Ranch, and we vertically integrated ourselves there.
as well as, you know, the next opportunities, whether that's, you know, properties neighboring to Sky Ranch, whether we acquire those properties, whether we are the utility provider for those properties, whether Lowry brings some of that land in inventory for
the state of Colorado, all those are continuing opportunities. And the nice thing about it is, you know, it's something that we have control over, right? We have the exclusivity on our service area. Water is continuingly
valuable and increasing in value. Those tap fees continue to go up. You know, we've talked often about the fact, you know, 30 years ago, tap fees were $6,000 and they're almost 10x to that now. And, you know, continuing to rise because the incremental cost of water continues to go up.
because we have to reach farther and farther out for the next supply. So all those metrics and all those dynamics are really weighing into the fact that this is, you know, a tremendous opportunity. And, you know, I can be fair to the market and saying, yeah, that's all true. And it's been true for the last five years, but the stock's been flat for the last five years. And, you know, that's a bit of a mystery. You know, are we
Are we mispriced? You know, certainly we think so. Maybe you would agree and others would agree. But at the end of the day, the market does what the market does. And if we continue to generate value on that and we create liquidity, we're going to continue to reinvest in ourselves and we're going to
continue then that share buyback. So you're going to see a little bit more of that activity. And to the extent that, you know, the market doesn't see the same things that we see, we'll be more aggressive about it. And that's a great opportunity, right? When you have that kind of margin potential on your assets and the opportunity to continue to generate those,

+19*****55** 41:18

Yeah.

Marc Spezialy 41:22

And, you know, we will continue to lower that denominator. So you'll look to see a bit more of that through this year and into next year. And then as we continue to

really accelerate this with the commercial development and other water
and the possibility of Lowry, it's going to get very exciting for us.

+19*****55** 41:49
One question about Lowry and the size of Lowry. I've heard 24,000 acres, I've heard 26, and I've heard 27. Which is it?

Marc Spezialy 42:03
Yes, on all those. Now, it's, so the total footprint of Lowry is around 27,000 acres. Our exclusive service rights to it are 24,000. So there is, there are 3000 plus or minus acres that
got added to Lowry after we had our service, our exclusive service rights. And, you know, those 3000 acres are not obligated to get service from us, but certainly have the opportunity of getting service from us. So we, you know, we try and represent accurately that our service,
Our exclusive service area, if you read that in our 10Ks, we're very specific that that's 24,000 acres and that the accuracy of the reporting of the size of Lowry is 27,000 acres. So that's the difference is, you know, there is a portion of Lowry that's not part of our exclusive
agreement, but certainly we have the capacity and the ability to serve those should those come online.

+19*****55** 43:08
Okay.
And for those of us who live on the East Coast, to put that many acres into perspective, 44,000 acres is the size of
28 central parks in New York City. It's almost the size of...

Marc Spezialy 43:36
No.

+19*****55** 43:40
to Manhattan Islands. It's huge.

Marc Spezialy 43:44

It is huge. You know, for those of you listening that are from Texas, you know, you'd probably say, yeah, that's a fair size range. I think also for those who will be joining us on Investor Day next week, we will be spending some time exploring that that we haven't done in the past.

+19*****55** 43:53
Yeah.

Marc Spezialy 44:04
So.

+19*****55** 44:07
Good. Thank you very much.

Marc Spezialy 44:10
Thanks for the highlight.
So just to remind everybody, if you're on the computer to unmute yourself before you ask a question. If you're on, if you've dialed in, you have to dial * 6.
Well, I'm going to take the silence as absolute enthusiasm for delivering a great quarter and rolling into a great year end and that the rest of you are really saying, I'll save my cannon fodder for coming out and seeing you all. But we would love to see you if you have the opportunity to jump out and spend a day with us. It's a great tour. It really does give
give you an appreciation for the scale of what it is that we're doing. You know, we, here we are, you know, a little $250 million company that really does carry, walks off, walks softly and carries a really big stick in kind of the value of these assets. And what we're really looking to do is continue to drive
reinvestment into monetizing these assets and then bringing in that shareholder value.
I'll take one question from the last four figures, 12, 14.
You have a...
Question? Yeah, go ahead.
Hand raise? Yep, we can hear you.

+19*****14** 45:50

Hello?
Can you hear me?

Marc Spezialy 45:56
Yes.

+19*****14** 45:58
Mark, this is Geoff Scott. How are you?

Marc Spezialy 46:01
I'm great. Good to hear from you, Geoff.

+19*****14** 46:04
A couple quick questions. Are the expenditures on the interchange going to be reimbursable?

Marc Spezialy 46:13
Yes, yes. And very specifically, you know, we've held, we've reserved some of the bonding capacity of the mill levies, as well as some impact fees that the county is looking to adopt, which really is a function of letting growth pay its own way. But we'll pledge those.
to the interchange. We think we have the bonding capacity for that within the cab. You know, we'll wait and see how that comes down as we get that and what the cost of the interchange is going to be. You know, we have an estimated cost of the interchange being in that $40 million range and we have
you know, a preliminary indication that our bonding capacity would match that. So.

+19*****14** 46:54
Yeah.

Marc Spezialy 47:01
We would not, we may not, we're expecting not to have to advance any of those funds, but to the extent that there is a change in the cost or a weakening in, which would be a higher interest rate or something like that.

+19*****14** 47:11

You.

Marc Spezialy 47:20

and the net proceeds for those bonding capacities that we, if there's any obligation for the company, it's relatively light, but whatever we would have, it would be reimbursable.

+19*****14** 47:33

Okay. The Receivable balance is now 59 million, I think. Is there some maximum amount that you would let that go to before you would get into the bond market?

Marc Spezialy 47:46

No, you know what we really try to do is be in the bond market as quickly as possible. And so what we try to do each of the times that we go into the bond market, where we're getting money back on those reimbursables, we will bond out a new phase. And if you all of you remember, and this is
This is a great question because the confusing side about how we fund this is, you know, how much that the company puts into it as compared to when does those bonding proceeds from the cab come into it. So I'll give you this illustration and thank you for that question because I did mean to want to try and
talk a little bit about that is that when we started phase two, we originally started phase two and we had zoning for around 850 units and that was in 2022. And so we went to the bond market with those 850 units and
we generated some $25 million worth of bond proceeds. And that allowed us to reimburse a portion of what was phase one money that we advanced. And then when we go into phase three, we'll take a look at that same aspect. We'll issue bonds in likely 2028 for phase three bonds, because we're going to have the final lot deliveries of phase two, which is that 159 lots in summer of 2027. But the interesting thing is that these bonds typically have a five-year call premium that burns off.
And so we'll do another refinancing of those 2022 bonds, which will give us available monies to repay a portion of that $59 million. So we're looking at getting some 8 to $10 million in 2027 of that 60 repaid. And then the 2027, 2028 bonds for phase three,

will give us another 25, $28 million that we can repay a portion of that back. So what that moral of the story is, it accrues as you start up to that high number, right? And I'd say 60 million is pretty sizable in the grand scheme of things.
And that really does show you a deposit of shareholder value in there that really is going to start coming back over the next three years. And it's going to come back in some big chunks, you know, and so we want to make sure that, you know, we time our liquidity and, you know, ultimately,
share repurchases, if the market doesn't understand where that value is, we're going to see that. You're going to start to see us get a lot more aggressive about that just because those proceeds are now starting to come back. And I'll give you a little bit of foreshadow on that 2027 refinancing.
is, you know, we bonded out 850 homes. We were able to actually increase the density on that up to around 1100 homes. So there's going to be significantly more assessed value in that refinancing than when we started. And so that's how you see a lot of that accrual coming back. And you're going to start to see that balance significantly lower over the next two years.

+19*****14** 51:24

Okay, I appreciate the color. Has there been a flattening of the tap fees and wastewater fees?
In terms of it.
Yeah, yeah.
Yeah.

Marc Spezialy 51:54

a step function. And so, you know, we have not, we have not seen a re, you know, they go up automatically 2 1/2, 3% per year, but then we go out and we reevaluate the market of those staff fees and we're doing that this year.
So you're likely to see a little bit of that step increase in 2027 as well.

+19*****14** 52:16

Yeah.
Okay, I appreciate it. Thank you so much.

Marc Spezialy 52:25

Thank you.

Okay, well, what I'm going to do is I'm going to kind of wind this down. Again, if you can carve out some time, we'd love to see you next week. Just give us a shout and let us know if you have any travel specifics. We're right by the airport, so it's easy to get in and out.

And so be a great tour this year, a bit different than previous years, then I think you'll get a very strong, really hands-on view of what it is that we're doing. If you're on the call and, you know, technology didn't get you to the question that you might have had,

Don't hesitate to give me a shout. Happy to answer any questions and really drill down on anything specific. But again, want to re-emphasize, you know, where we are on a position of kind of the assets of the company. Couldn't be more thrilled with where we're at.

with the liquidity that we're going to be generating over the next couple of years and really opportunities to deliver, you know, significant share value on this thing and really start to monetize kind of that share position. So with that, I will close out and Hope you all have a great summer.

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