

Broker Opinion
Of
Value
For

Consol. Home Supply Water

Prepared
By
Lar Voss, Managing Broker
Western Land and Water LLC
August 12, 2016

I. Summary

This report was prepared to state an Opinion of Value for shares of Consolidated Home Supply Ditch and Reservoir Company (“Home Supply”) shares which used for agriculture and municipal use near Loveland/Johnstown, Colorado. The water will generally be referred to as “Home Supply” in the report.

Home Supply is an excellent water right in northern Colorado because of its water quality, high priority water rights and its storage system of lakes west of Loveland. The water is diverted as it leaves the mountains so it is of excellent quality and generally of sufficient quantity to meet the maximum allowable diversion based upon the priority of the owned rights.

As with most of the “drinkable” water in Colorado, i.e., readily divertable to a treatment plant, the costs per share increased steadily until 2008, fell rapidly and are now increasing steadily again. A graph of historic costs is included later in this report.

The current market for the Home Supply shares is generally limited to development in either the Town of Johnstown (Town) or the Little Thompson Water District (LTWD). Maps of their service areas are included in the appendix. Because of the comparative price advantage of Home Supply, when compared to the price of CBT or Cash-In-Lieu prices of neighboring utilities, it is likely that some of the future sales will be to investors anticipating a substantial increase in value in the foreseeable future.

II. Opinion of Value

Based upon this review, it is our opinion that agricultural shares would be valued at a nominal \$120,000/share as of this date. The range of values is predicated upon the current market demand and a potential abundance of supply. The value can be increased by the seller agreeing to “dry up” the land, i.e., agree to a deed restriction that the subject land could never again be irrigated with Home Supply water once converted to municipal use.

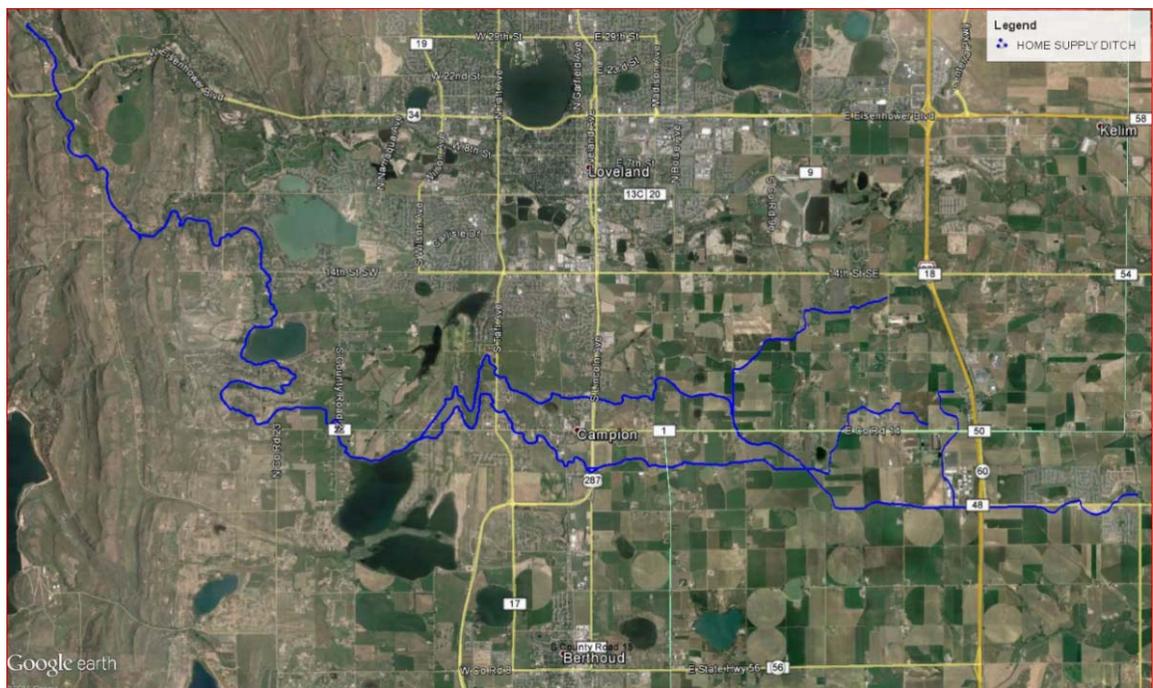
Even at a price of \$128,000/share, given a credit from Johnstown for 12,8 taps/share, the raw water cost would be \$10,000/tap. This compares very favorably with the Cash-In Lieu price of the City of Loveland of \$26,250 and Little Thompson Water District of \$37,800 for providing 1.4 units of Colorado Big Thompson (CBT) water at \$27,000/unit. LTWD will take Home Supply and grant five full taps so Home Supply at \$125,000 would be \$25,000/tap, a substantial savings to developers as compared to providing CBT for the raw water requirement.

Opinion of Value: \$100-120,000/share

III. History of the Company

The Consolidated Home Supply Ditch & Reservoir Company was organized in 1882, about one year after the Home Supply Ditch Company was formed on July 15, 1881 and the Home Supply Reservoir Company was formed on February 1, 1881. As seen on the map below, the company serves an area from west of Loveland, Colorado to near Johnstown.

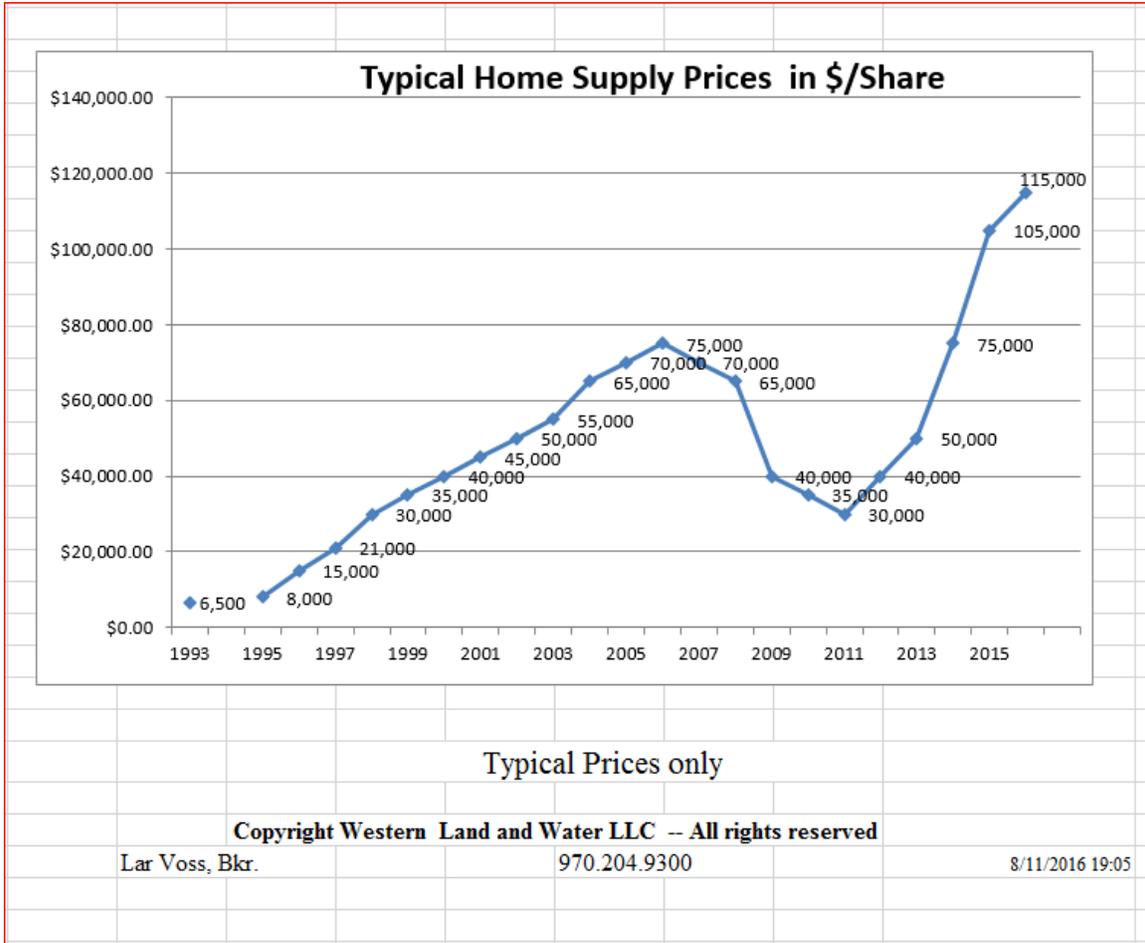
The map below depicts the Home Supply canal system. It is generally a very well managed and maintained water system. The diversion dam and headdworks were recently rebuilt and a major flood in september of 2013.



There are also laterals which deliver the water from the main ditches to the farms. While that lateral ownership is necessary for delivery of the water, those shares do not have a raw water component and can be a future liability as the annual assessments must be paid even if all of the water is sold from the farm.

IV. Historic Prices

As seen in the table below, prices of Home Supply Water have generally risen in correlation with construction and population growth in the area. The prices shown below are not averages as all of the sales data was not available, but the data is intended to be representative of the typical average sales price on an annual basis. It is important to note that the price is greatly impacted by both supply and demand for development.



Some actual recent sales are listed below for reference:

March 2015	One share Ag water to developer	\$100,000 Per share
April 2015	One share Ag water to developer	\$126,100
June 2015	13.5 shares Ag water to developer	\$124,000
April 2016	3 shares Court Case to developer	\$142,000

The water is too expensive for use in agriculture so farmers at not buyers at these prices. Even given that this is favorably priced water as compared to CBT, the developers generally only buy when they must have to water to complete their platting process. This is a very “thin” market and can vary from very little supply to an excess of supply compared to the demand. Prices will vary accordingly if the seller needs to sell quickly. Generally though, the water is in “strong hands” and the sellers can wait for a “reasonable” price.

As previously discussed, even at the current prices, this water still provides some of the least expensive raw water costs of any similar water system in the area. This can be a very positive factor for home builders in the area that can be served by Home Supply water.

Johnstown has two classifications for the Home Supply water, those shares that have been through a water court change case yield 16 single family taps/share and those still in agriculture are twenty percent less at 12.8 taps per share. A copy of the applicable ordinance is in the appendix. As expected, shares yielding twenty percent more taps sell for at least twenty percent more than the agricultural shares.

Another option for the sale of the water would be to turn it in to LTWD in exchange for LTWD tap credits. Those tap credits could then be sold or traded until such time as they would be turned in for an actual water tap. Their current value would be equal to or less than the alternative tap cost of 1.4 units of CBT which currently equates to about \$37,000. Each share of Home Supply would yield five full LTWD tap credits. Assuming a sale price of \$30,000 per credit that would yield a current value of \$150,000/share of Home Supply. This would only apply to shares where the land has been dried up.

Some area water suppliers allow customers and/or developers to provide cash rather than actual shares or units of water. It is a useful comparison the raw water costs incurred by providing actual shares of acceptable water. The table below shows the current Cash-In-Lieu prices for some of the adjacent water suppliers in the northern Colorado area. One will note that Home Supply is a substantially less expensive alternative where it can be utilized.

	\$/Res. Tap	
City of Loveland	\$26,250	
City of Greeley	\$33,000	
FCLWD	\$25,000	(Fort Collins/Loveland Water Dist.)
Left Hand Water	\$25,000	(Near Longmont, CO)
Home Supply (Johnstown)	\$ 9,375	at \$120,000/share of Home Supply
Little Thompson WD	\$25,000	at \$125,000/share of Home Supply
Little Thompson WD	\$36,400	with 1.4 units of CBT

CONCLUSION:

In conclusion, the Home Supply water is generally readily saleable, valuable, and may have near term upside potential if construction continues in the northern front range area.*

Respectfully Submitted,

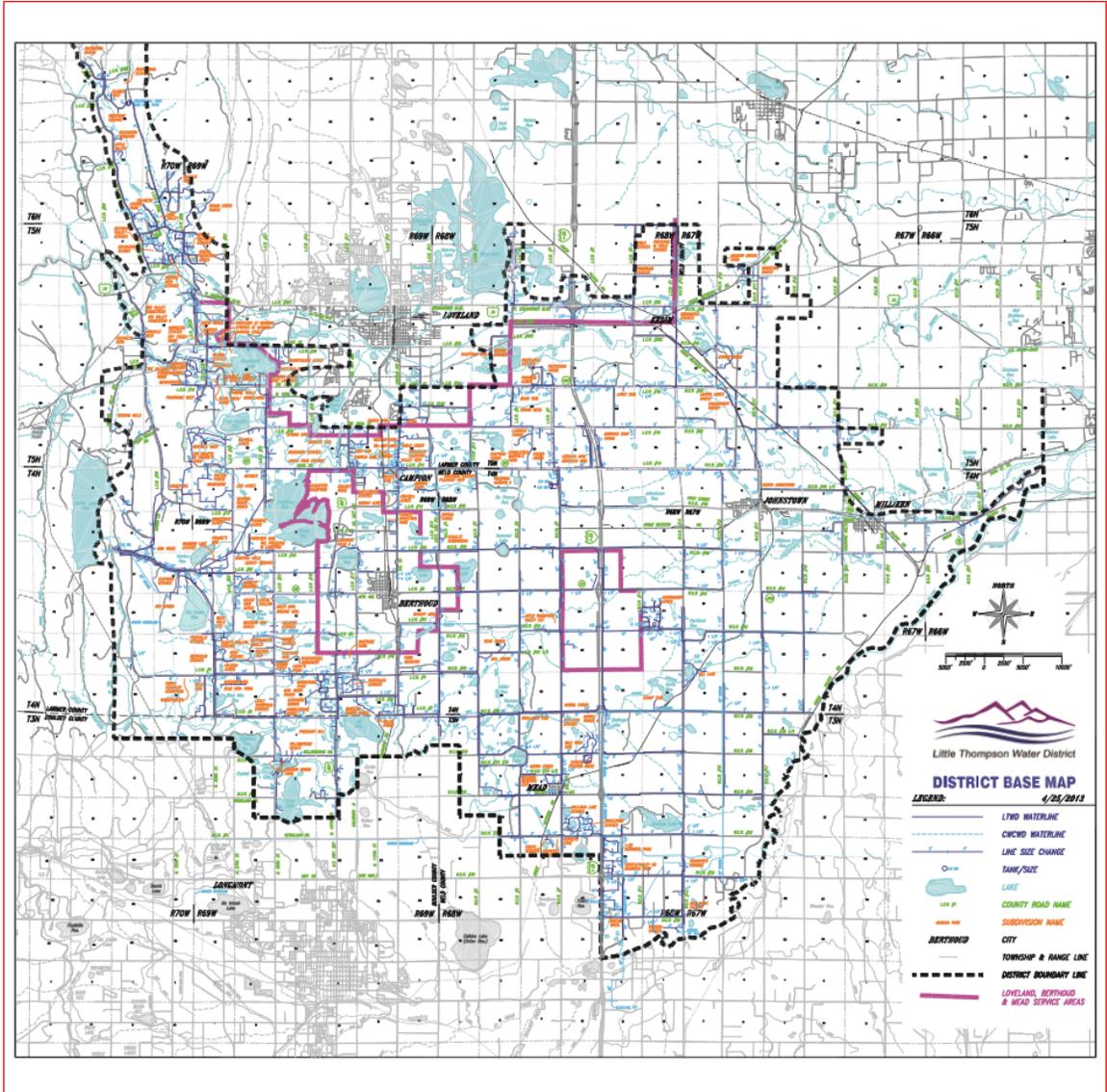
s/ Lar Voss

Lar Voss, Broker
August 12, 2016

* As usual, results are not guaranteed. *Caveat Emptor*

Appendices

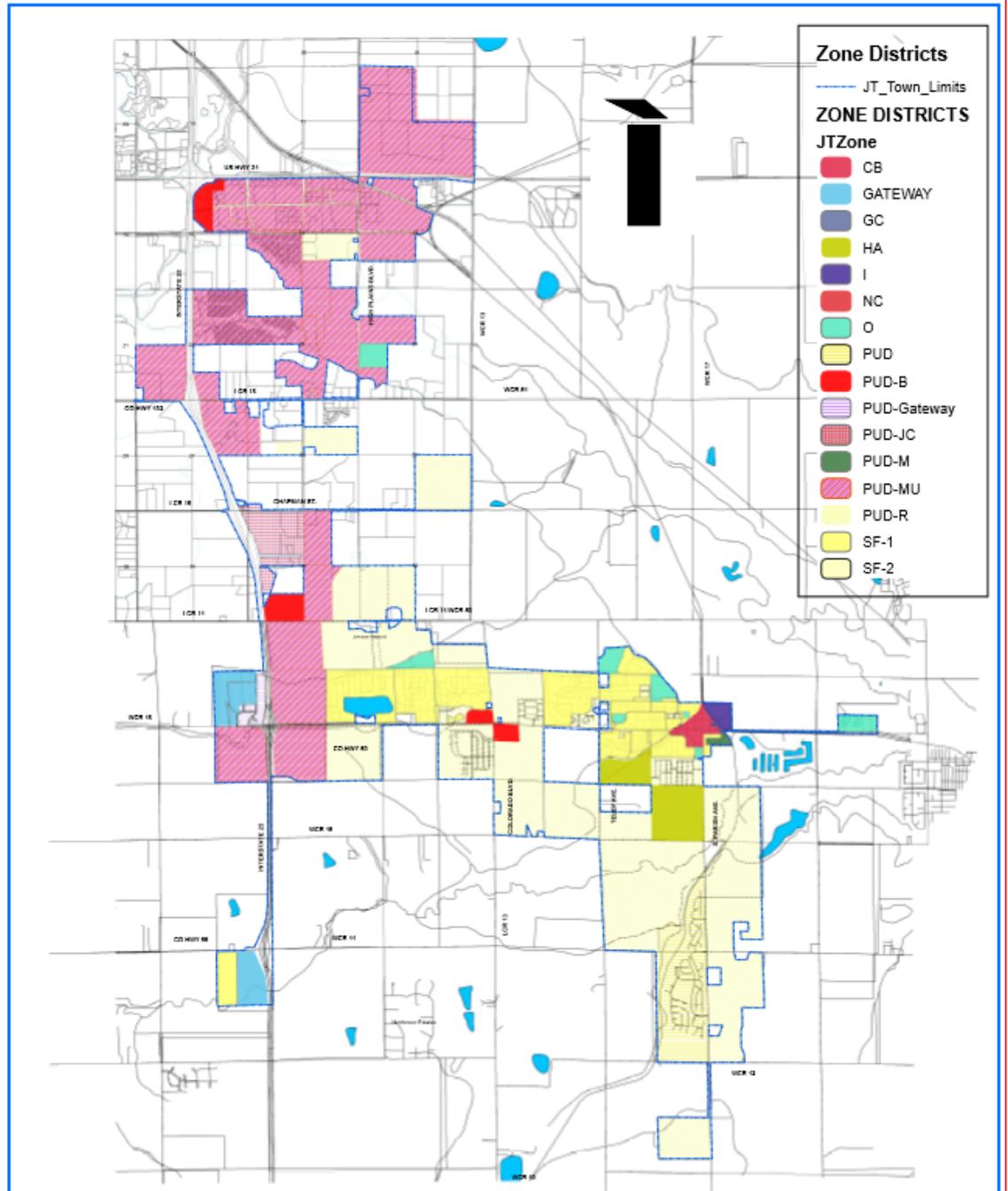
A. Little Thompson Service Area



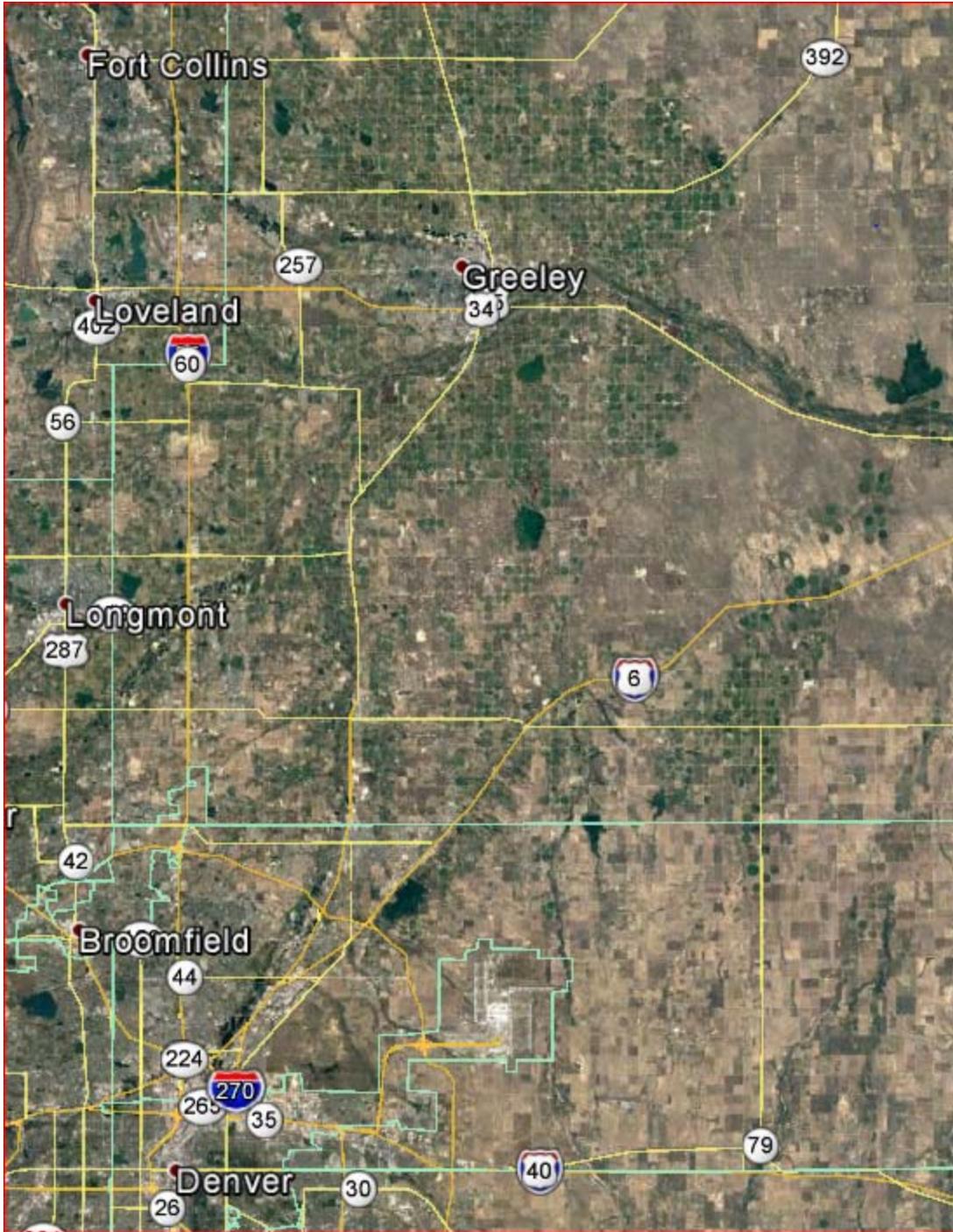
B. Town of Johnstown Service Area

Zone District Map

REV. 1-2011



C. General Location Map.



D. Bath Stock Certificate

No 6757

Incorporated Under the
Laws of the State of Colorado

The Consolidated Home Supply Ditch and Reservoir Co.

6 Shares

2,000 SHARES
\$50 EACH



CAPITAL STOCK
\$100,000

This is to Certify that BATH FAMILY FARM, LLC

is the owner of 6 Shares of Capital Stock of
The Consolidated Home Supply Ditch and Reservoir Company, full paid
transferable only on the books of the Company, in person, or by attorney,
on surrender of this certificate.

Witness the Seal of the Company and the Signatures of the President
and Secretary at Loveland, Colorado, this 19 day of February
19 2018

[Signature]
President

[Signature]
Secretary

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E. Johnstown Water Ordinance (Unsigned)

TOWN OF JOHNSTOWN, COLORADO

ORDINANCE NO. 2014-135

**AN ORDINANCE AMENDING JOHNSTOWN
MUNICIPAL CODE SECTION 13-68
CONCERNING WATER COURT TRANSFER
FEES AND RAW WATER CREDITS**

WHEREAS, in 1998, the Town of Johnstown (“Town”) adopted an ordinance establishing water court transfer fees associated with the Town’s acceptance of the dedication of water rights; and

WHEREAS, the Town’s water engineer, Mr. Tom Williamsen, reviewed the Consumer Price Index and determined that the costs to urban consumers have risen by approximately fifty-percent (50%) since adoption of the prior ordinance; and

WHEREAS, the Town’s water engineer and the Town’s water attorney, Mr. Pete Ampe, have indicated that the costs and expenses associated with the acceptance of water rights that are not decreed for municipal use is significantly higher than the costs and expenses associated with the acceptance of water rights that are decreed for municipal use; and

WHEREAS, the Town has previously filed two separate water court actions to change the use of existing water shares from irrigation to municipal, and has invited anyone with shares to participate in said water court actions at the sole expense of the Town; and

WHEREAS, Johnstown Municipal Code § 13-64 provides that “[a]ll costs and expenses necessary to change [] water rights so they can be diverted and used by the Town for municipal use shall be paid by the person required to dedicate water rights to the Town pursuant to this Article, or his or her successor in interest, by payment of all required water court transfer fees;” and

WHEREAS, to capture the costs and expenses associated with the acceptance of dedications of water rights that are not decreed for municipal use and to incentivize any person who seeks to dedicate water rights to the Town to dedicate water rights that are decreed for municipal use, the Town seeks to impose a two-tiered water court transfer fee structure and to discount the credit for raw water that is not decreed for municipal use; and

WHEREAS, the Town desires to amend Johnstown Municipal Code § 13-68 to accomplish the foregoing; and

WHEREAS, it is in the best interest of the Town to adopt the following amendments and revisions.

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF JOHNSTOWN, COLORADO, AS FOLLOWS:

Section 1. Section 13-68 subsection (d) of the Johnstown Municipal Code shall be amended to read as follows:

Section 13-68. Procedure.

(d) The Town shall evaluate any water rights offered to the Town for dedication. The Town shall determine whether said water rights are to be accepted based upon the following criteria: priority date, historical point of diversion, location of historical use, historical yield, historical consumptive use, the contribution to historical consumptive use of other water rights or sources of water supply, future use of the land historically irrigated, including future irrigation, considerations with respect to title, anticipated difficulties with transferring the water rights to appropriate points of diversion, places of storage and municipal uses, the Town's contractual obligations and arrangements, expected needs of the Town and of the Town's municipal water supply system, composition of the Town's water rights portfolio at the time of the proposed annexation, and any other appropriate factors. Recognizing that the Town will incur additional expenses in the future by accepting dedications of water rights under this Ordinance that are not decreed for municipal use by the Town, the Town has a two-tiered water court transfer fee structure and a two-tiered raw water credit structure:

TABLE I

(Water Rights Decreed for Municipal Use)

If the following water rights are decreed for municipal use and are accepted by the Town, the following water court transfer fees shall be applicable:

<u>Water Rights</u>	<u>Raw Water Credits</u>
Consolidated Home Supply Ditch & Reservoir Company	\$150.00 per S.F.E.
Colorado Big Thompson Project Units (CBT)	\$0.00
Other acceptable water rights	\$150.00 per S.F.E.

Water court transfer fees shall be paid not later than the time of approval of the plat(s) to which the water rights dedication is applicable. These values are subject to change at any time by ordinance of the Town Council.

TABLE II

(Water Rights Not Decreed for Municipal Use)

If the following water rights are not decreed for municipal use and are accepted by the Town, the following water court transfer fees shall be applicable:

<u>Water Rights</u>	<u>Raw Water Credits</u>
Consolidated Home Supply	\$300.00 per S.F.E.

INTRODUCED, AND APPROVED on first reading by the Town Council of the Town of Johnstown, Colorado, this ____ day of _____, 2014.

TOWN OF JOHNSTOWN,

**COLORADO
ATTEST:**

By: _____

By: _____
Diana Seele, Town Clerk

Mark Romanowski, Mayor

PASSED UPON FINAL APPROVAL AND ADOPTED on second reading by the Town Council of the Town of Johnstown, Colorado, this ____ day of _____, 2014.

TOWN OF JOHNSTOWN,

**COLORADO
ATTEST:**

By: _____

By: _____
Diana Seele, Town Clerk

Mark Romanowski, Mayor