

FEASIBILITY OF THE LOWER POUDRE AUGMENTATION COMPANY WATER RIGHTS PURCHASE

Sponsored by the
LOWER POUDRE AUGMENTATION COMPANY
in conjunction with the
COLORADO WATER CONSERVATION BOARD

Prepared by:

Jared Dains, P.E.
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1490 W. 121st Avenue, Suite 100
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Dale D. Trowbridge
General Manager
Lower Poudre Augmentation Company
P O Box 104
Lucerne, Colorado 80646

FEASIBILITY STUDY APPROVAL

Pursuant to Colorado Revised Statutes 37-60-121 & 122, and in accordance with policies adopted by the Board, the CWCB staff has determined this Feasibility Study meets all applicable requirements for approval.

Signed



9/4/2015

Date

August 7, 2015

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Lower Poudre Augmentation Company Stockholders

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Lower Poudre Augmentation Company Stockholders

New Cache La Poudre Irrigating Company (2/3 interest)
Cache La Poudre Reservoir Company (1/3 interest)

Lower Poudre Augmentation Company Board of Directors

Michael Hungenberg, President
Robert Wardlaw, Vice-President
Kenton Brunner, Secretary
James Koehler, Treasurer
Harold Buxman, director

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Feasibility of the Lower Poudre Augmentation Company Water Rights Purchase

Project Purpose

The purpose of the proposed project is to purchase two available shares of capital stock of the Box Elder Ditch Company (BEDC) to be used in the augmentation plan of the Lower Poudre Augmentation Company (LPAC) as a replacement source. By acquiring the subject shares, LPAC will be able to continue to provide a suitable water supply replacing post pumping depletions for the wells in the augmentation plan. Because the subject shares are related to water rights that LPAC already owns, the shares will be able to be seamlessly integrated into LPAC's existing operations and purchase of the shares will help ensure a permanent and un-interruptible supply of water available for augmentation.

Project Owner

The Lower Poudre Augmentation Company is a non-profit augmentation company that was incorporated in December of 2004. The New Cache La Poudre Reservoir Company and the New Cache La Poudre Irrigating Company are members of the Lower Poudre Augmentation Company.

The Company was created to provide for augmentation of depletions due to pumping of 61 irrigation wells included within the New Cache La Poudre Irrigating Company and the Larimer and Weld Irrigation Company service areas. There are 27 well owners within the system. Company revenue is derived from assessing the well owners and is based on the amount of depletions per well. The 2015 assessment total was set at \$162,174, or approximately \$2,600 per well. The financial statements for the past three years have been provided as a part of the application.

Project Service Area

The Lower Poudre Augmentation Company is comprised of well owners throughout the service area of New Cache La Poudre Irrigating Company and the Larimer and Weld Irrigation Company Service Area. A map depicting the location of the wells is attached as Appendix A.

LPAC Operations

Under the decree in Case No. 04CW025/06CW295, LPAC is required to augment out-of-priority pumping depletions associated with pumping of the member irrigation wells. Approximately 1,800 acre-feet of augmentation water was required in 2014.

The member wells are currently limited to a pumping quota of approximately 1 acre-foot allowed per irrigated acre.

LPAC currently meets its augmentation demands through a variety of water rights and sources, including ditch and reservoir shares, storage, and recharge of water through ponds and canals. The subject shares are related to other water rights that are already a significant part of that supply and are included in the decreed augmentation plan.

It is the intent of the LPAC to allow the well owners to utilize their irrigation wells to their maximum potential. As stated, a well pumping quota is in place at this time which limits the well pumping. LPAC is progressively seeking water rights to add to its portfolio that would allow increased pumping of the wells.

The LPAC is also concerned about availability of water into the future for augmentation and recharge and would like to have more control over its augmentation sources. Having ownership of the project shares provides additional security to the system.

LPAC Water Rights Portfolio

Water rights owned by the LPAC are:

Harmony 25 Reservoir Right. The Harmony 25 Reservoir is an existing, off-channel, reservoir owned by the Lower Poudre Augmentation Company located in the Southeast $\frac{1}{4}$ of Section 34, Township 7 North, Range 68 West, 6th P.M. The Lower Poudre Augmentation Company obtained a decree for a conditional water right for the Harmony 25 Reservoir in Case No. 09CW30 in the amount of 682.75 acre-feet. Water may be delivered to the Harmony 25 Reservoir from the Cache la Poudre River via the Box Elder Ditch which diverts water from the Cache la Poudre River in the SE $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Section 20, Township 7 North, Range 68 West, or a pumping station on the Cache la Poudre River in the SW $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Section 34, Township 7 North, Range 68 West. Water from the Harmony 25 Reservoir is delivered to the Cache la Poudre River in the SE $\frac{1}{4}$ of Section 34, Township 7 North, Range 68 West of the 6th P.M.

Box Elder Ditch Company Shares. The Lower Poudre Augmentation Company owns 4.5 shares in the Box Elder Ditch Company, which are the subject of the change of water rights decreed in Case No. 09CW30, which shares will be utilized as a source of augmentation and recharge water in the Lower Poudre Augmentation Plan. The 4.5 shares entitle the Lower Poudre Augmentation Company to a pro-rata portion of the water rights decreed to the Box Elder Ditch by the District Court, Larimer County, in Case No. 320 which appropriations and rates are as follows: March 1, 1866 for 32.5 cfs, May 25, 1867 for 8.33 cfs, and July 1, 1868 for 11.93 cfs. Subject to the terms and conditions of this decree and the terms and conditions of the decree

in Case No. 09CW30, water diverted from the Cache la Poudre River attributable to the 4.5 shares will either first be stored in the Harmony 25 Reservoir for subsequent release, or returned directly to the river for augmentation and recharge purposes in the Lower Poudre Augmentation Plan.

01CW201 Water Rights. The New Cache La Poudre Irrigating Company received a decree in Consolidated Case No. 01CW201/04CW343, District Court, Water Division 1, for confirmation of certain direct flow and storage water rights which will be utilized as the principal source of augmentation supply in the Lower Poudre Augmentation Plan. These rights include water storage rights for Cornish Plains Reservoir, and Barnesville Equalizer, and direct flow rights for the Greeley Canal No. 2 including direct flow from the Cache la Poudre River, and various points of inflow along the Greeley Canal No. 2 including the Slough (a/k/a the John Law Seepage Ditch), Cole Bank Draw, Eaton Draw, Lonetree Creek, and Owl Creek. Water Rights diverted will be used in the Lower Poudre Augmentation Plan by recharge, including in-ditch recharge and diversions to individual recharge ponds in the New Cache System, or by storage in and subsequent release from the Cornish Plains Reservoirs for delivery to the Cache la Poudre River via the Crow Creek after being released through the Crow Creek augmentation structures.

NCLPIC & CLPRC Shares. LPAC recently acquired 34.5 shares in the New Cache La Poudre Irrigating Company (NCLPIC) and 4.0 shares in the Cache La Poudre Reservoir Company (CLPRC), using funds available from a CWCB loan.

NCLPIC currently provides irrigation water to approximately 32,000 acres in Larimer and Weld Counties. The service area is located immediately north of the Cache la Poudre and South Platte Rivers between Windsor and Barnesville. Water is diverted from the Cache la Poudre River near Timnath, Colorado to feed the Greeley No. 2 Ditch. The canal systems consist of approximately 50 miles of ditch extending from the river to approximately 11 miles east of U.S. 85. NCLPIC delivery is approximately 37,500 acre-feet per year.

The Cache la Poudre Reservoir (aka Timnath Reservoir) is located in portions of Sections 23, 24, 25 and 26, Township 7 North, Range 68 West, 6th P.M., in Larimer County. Water is diverted from the Cache la Poudre River for storage in the Cache la Poudre Reservoir by an inlet ditch on the north bank of the Cache la Poudre River in the NE $\frac{1}{4}$ of Section 18, Township 7 North, Range 68 West, 6th P.M., in Larimer County. There are two additional decreed points of diversion for the Cache la Poudre Reservoir, the "First Diversion", located in the NE $\frac{1}{4}$ of Section 25, Township 7 North, Range 68 West, and the "Second Diversion" located in the SW $\frac{1}{4}$ of Section 36, Township 7 North, Range 68 West, 6th P.M. which diverts water directly into the Cache la Poudre Reservoir Outlet Ditch. Water is also diverted into the Cache la Poudre Reservoir from drainage and seepage from the "West Drainage" located 2,030 feet North and 1,400 feet East of the SW corner of Section 24, Township 7 North, Range 68 West, the "Middle Drainage" located 1,350 feet North

and 3,290 feet East of said SW corner, and the “East Drainage” located 1,340 feet South and 60 feet West of the NE corner of Section 25, same Township and Range.

Proposed Water Rights Purchase

With the CWCB loan, the LPAC plans to acquire two shares of the BEDC. The BEDC has 64 shares outstanding and is the owner of the water rights in the Box Elder Ditch. The Box Elder Ditch was decreed for irrigation in Civil Action No. 320 on April 11, 1882 with appropriation dates of March 1, 1866 for 32.50 cfs, May 25, 1867 for 8.33 cfs, and July 1, 1868 for 11.93 cfs from the Cache la Poudre River. The right is the number 15 priority on the Poudre River. The two later enlargements of 8.3 cfs and 11.9 cfs have priority numbers 23 and 30, respectively. The capacity of the ditch is approximately 53 cfs. Shares in the BEDC have previously been changed by the Water Court in the following decreed change cases:

Case No.	# of Shares	Applicant
88CW213	1	John B. Jensen
90CW071	4	Larimer County
92CW165	1	CCWCD & Hall-Irwin
94CW015	3	Louis F. Swift
00CW166	1.5	CCWCD & GMS
09CW030	4.5	LPAC

Dry-up. The subject BEDC shares have historically irrigated lands on the Morrison and Rigden farms shown in Appendix B. These farms have now been replaced by an active gravel pit. Following the conclusion of mining, the current plan is to turn the gravel pit into a lined reservoir. Future irrigation of these properties is highly unlikely; therefore dry-up has occurred in fact. LPAC may seek a dry-up covenant from LPAC in order to provide additional certainty if necessary.

Water Share Yields. Appendix C provides the yields for the subject shares. The average annual historical consumptive use of the combined 2.0 shares is approximately 88 acre-feet.

Water Rights Opinion of Value

The BEDC shares are being offered at \$250,000 per share, or \$500,000 total for both shares. Given that the consumptive use yield of the shares is approximately 88 acre-feet, the share cost is roughly \$5,682 per acre-foot of consumptive use.

A. Bruce Johnson and Associates has provided opinion of the market value of the subject BEDC shares; it is attached in Appendix D. Per his letter, recent consumptive use price figures have ranged from \$7,000 to \$12,000 per acre-foot of consumptive use.

Analysis of Alternatives

Three alternatives have been considered for providing the water supply to the LPAC augmentation plan described above. They include:

- 1.) Do nothing
- 2.) Purchase the 2.0 shares of the Box Elder Ditch Company
- 3.) Locate and purchase other water rights

Alternative #1

One course of action considered was the “Do Nothing” alternative. By continuing to operate without these additional BEDC shares, the potential exists for continuing or increasing the restrictions on pumping of member irrigation wells because of uncertainty in augmentation supply. The well owners are not able to fully utilize an available water source that is on their property for irrigation. The pumping limitation requires the well owners to go to other water sources to provide irrigation water for their crops. This alternative was considered unacceptable.

Alternative #2

The second alternative considered was to acquire the available water shares and change them in Water Court to allow augmentation use. The Box Elder Ditch is a senior water right with a firm yield during dry years. Shares in the BEDC have been changed in Water Court multiple times in the past (including shares specifically related to the BEDC shares LPAC intends to purchase), indicating that a change case could be successfully prosecuted. These shares could be seamlessly integrated with the existing BEDC shares that LPAC currently owns. The dry-up of the historically irrigated lands has already occurred. This alternative meets all the goals of the project. By acquiring these shares, it provides a more reliable water supply for the LPAC augmentation plan. The cost estimate for this alternative is shown in Table 1 below.

Table 1
Alternative #2 Cost Estimate

Box Elder Ditch Company Shares	
2.0 shares @ \$250,000/share	\$500,000

Alternative #3

The third alternative considered was to locate and purchase other water rights for the plan. Currently, the applicant is unaware of other shares in the BEDC that are readily available for purchase. LPAC could instead seek water rights in other ditch systems; however, the various advantages of acquiring these particular BEDC shares (outlined in Alternative #2) would not be realized in this situation. The use of alternative sources would likely require the purchase of water rights at current market

values. Pursuant to Appendix D, the current market value for water rights is approximately \$7,000 to \$12,000 per acre-foot of consumptive use. The cost to acquire an equivalent amount of consumptive use as offered by these 2.0 BEDC shares is outlined in Table 2 below.

Table 2
Alternative #3 Cost Estimate

Other Water Rights	
88 acre-feet CU @ \$7k - \$12k / ac-ft	\$616,000 - \$1,056,000

Selected Alternative

Lower Poudre Augmentation Company has chosen Alternative #2 as the desired alternative. LPAC does not feel that the other alternatives meet the goals of the project or add a level of efficiency, value, or long-term water reliability, as compared to Alternative #2. Alternative #2 meets the project goals by enabling LPAC to guarantee a more reliable water supply for more of the augmentation plan.

Project Impacts

This project is not anticipated to have any negative impacts to the area. The historically irrigated lands have already been dried-up due to the creation of a gravel pit; therefore there will be no additional “buy-and-dry” by changing the use of these shares to augmentation. The project allows for the efficient utilization of the water rights. It also will keep the water rights in agriculture as opposed to the potential for them to be sold off to municipal uses.

The project will have a positive economic impact on the area by providing a more reliable water supply for the farms and in the long term reducing potential water shortages.

Permitting Requirements

No permitting is required for this project.

Implementation Schedule

The BEDC shares are available immediately upon loan approval. At that time, the transfer of ownership would be executed.

Loan Request

The selected alternative is estimated to cost a total of \$500,000. The project cost estimate is shown in Table 1 above.

The Lower Poudre Augmentation Company is requesting a 30 year loan of 90% of the cost (\$450,000) at the current agricultural rate of 1.75%. The members of the Lower Poudre Augmentation Company are agricultural entities and the well water usage is for production agriculture. The remaining 10% of the cost will be borne by the LPAC.

Financial Plan

Current Loans

LPAC currently has an existing loan with the Colorado Water Conservation Board under Contract Loan Number C150245. The loan was obtained for the purchase of the Harmony 25 Reservoir and Box Elder Shares described above. The original loan amount was \$3,560,333 with a term of 30-years at a fixed interest rate of 2.50%. The annual payment is \$170,104.31. The loan will be paid off in 2041.

LPAC currently has a second existing loan with the Colorado Water Conservation Board under Contract Loan Number CT2015-171. The loan was obtained for the purchase of the NCLPIC and CLPRC shares described above. The original loan amount was \$1,163,015 with a term of 30-years at a fixed interest rate of 1.75%. The annual payment is \$50,160.55. The loan will be paid off in 2045.

Current Financial Condition

Financial Statements for the past three years have been provided in Appendix E for review.

Loan Repayment Sources

The repayment will be made strictly from annual assessments of the well owners. The value of the water and the project on a per-acre-foot basis make the project repayment economical. Future values of the project will actually make this project an asset of growing value to the shareholders.

Collateral

The project sponsor proposes to use the water rights that are being purchased as the collateral for the loan. The value of irrigation water and reservoir storage has steadily increased over the past several years. The Northern Colorado area has significant growth and a vibrant economy which makes this asset credit worthy. The water rights come from the Box Elder Ditch Company which has a very healthy demand for shares. The

value of the shares as they are pledged for collateral are in line with (or below) the current market value of other agricultural water rights of similar type.

Conclusion

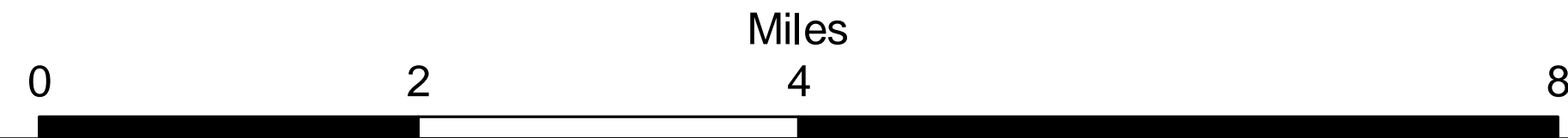
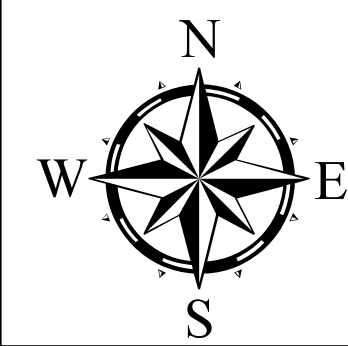
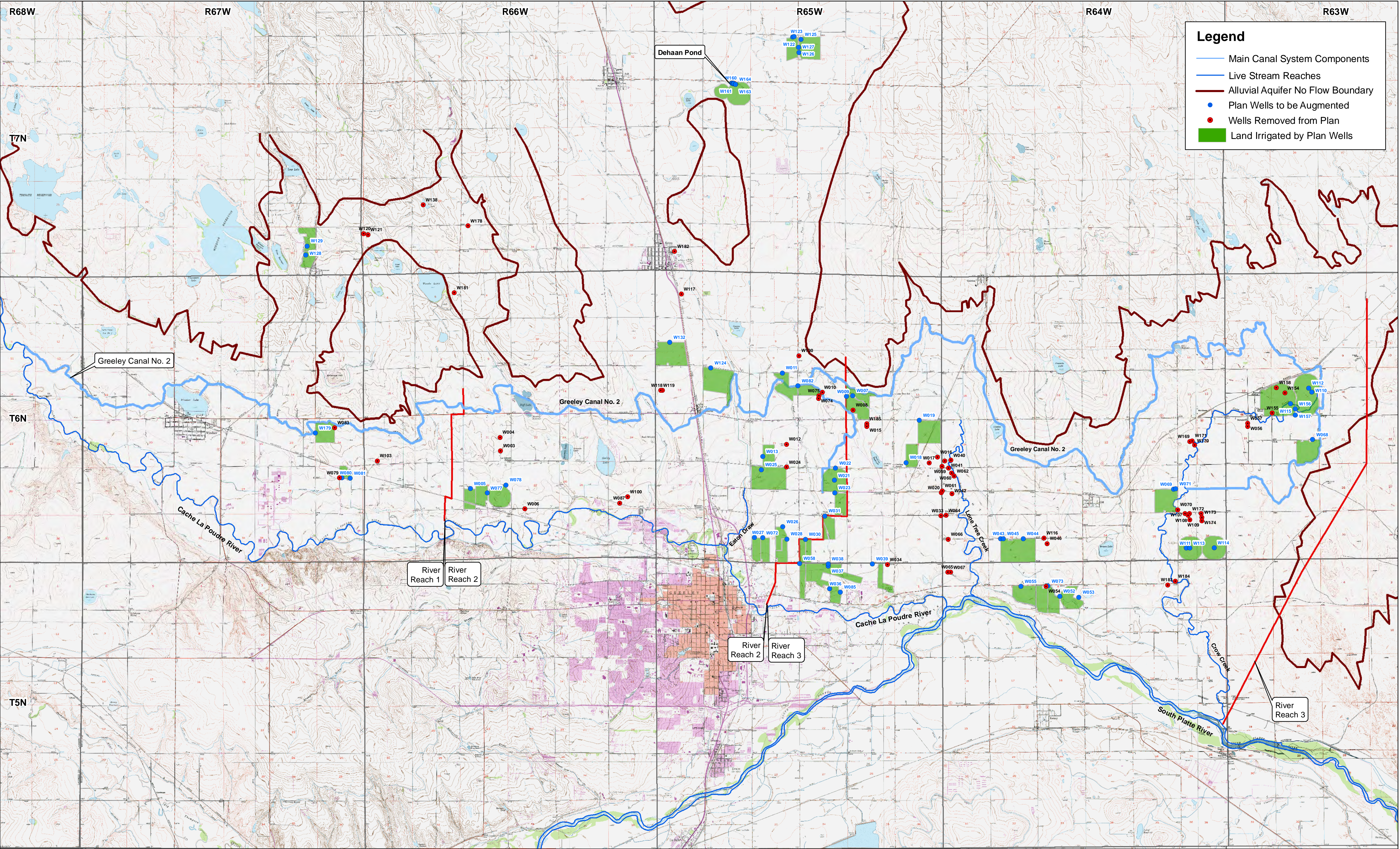
The selected alternative is technically, economically and financially feasible. There are no significant obstacles that would keep the Lower Poudre Augmentation Company from successfully completing this project.

APPENDIX A

List of Well Owners and Map of Well Locations

Well List

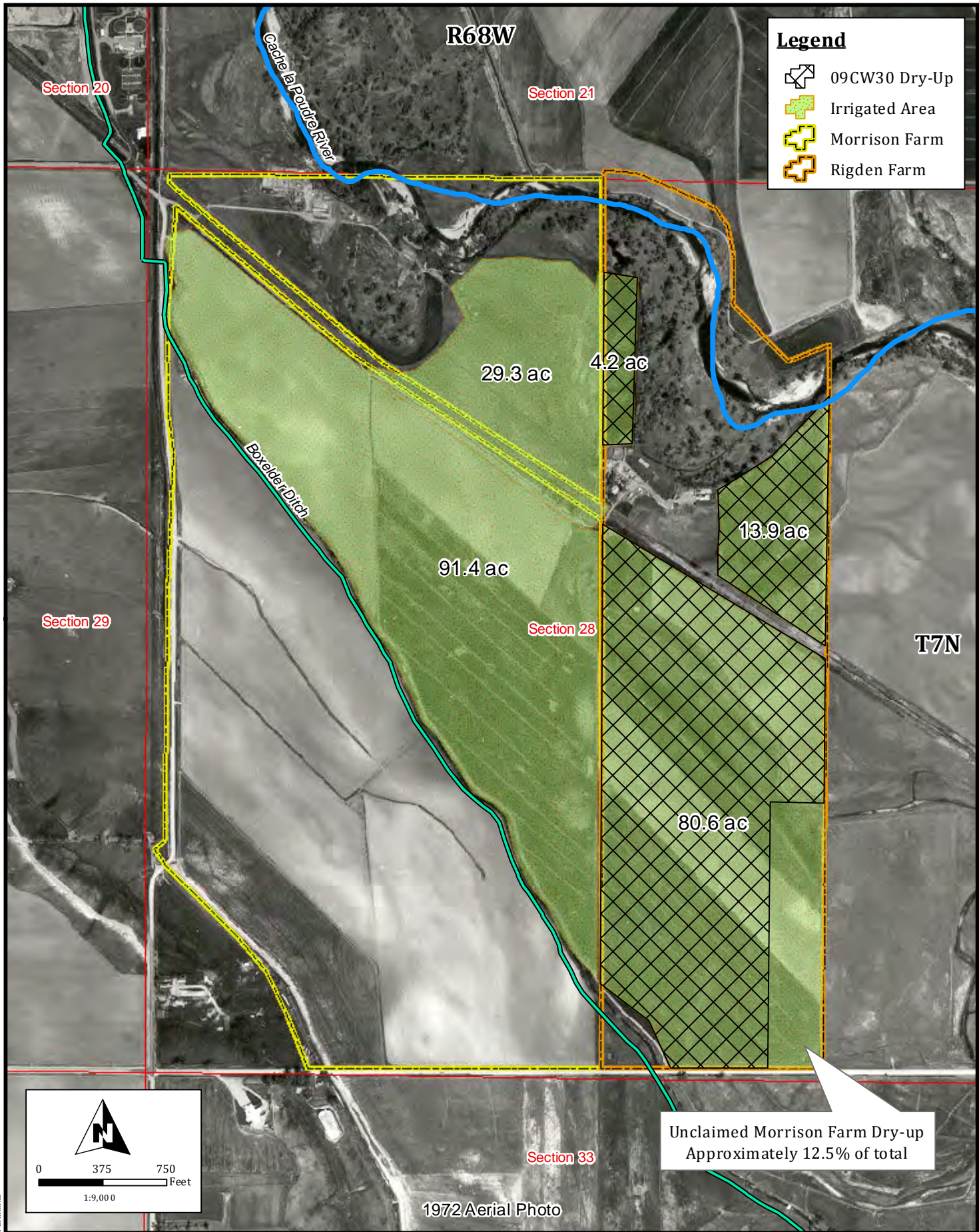
WDID	STRUCTURE NAME	OWNER	C/O	Address	City	State	Zip Code
0305736	NELSON WELL 8770	TRIPLE F ENTERPRISES	RANDY FEUERSTEIN	10265 E. ABERDEEN AVE	ENGLEWOOD	CO	80111
0106337	DINNER WELL 1-11840	DINNER, ALBERT	DINNER BROTHERS FARMING	1814 14TH AVENUE	GREELEY	CO	80631
0106347	DINNER WELL 5-11842	DINNER, ALBERT J	DINNER BROTHERS FARMING	1814 14TH AVENUE	GREELEY	CO	80631
0108809	WATSON WELL 6512	FIVE-M FARM CO		20295 WCR 66	GREELEY	CO	80631
0105501	ANDERSON WELL 2-10675	ANDERSON, HARRIETT		23279 WCR 66	GREELEY	CO	80631
0105498	ANDERSON WELL 1-R1283	ANDERSON, HARRIETT		23279 WCR 66	GREELEY	CO	80631
0108706	UHRICH WELL 1-8594	HUNGENBERG, MICHAEL & PAUL	HUNGENBERG PRODUCE	976 NORTH BALSAM AVENUE	GREELEY	CO	80631
0108707	UHRICH WELL 2-8616	HUNGENBERG, MICHAEL & PAUL	HUNGENBERG PRODUCE	976 NORTH BALSAM AVENUE	GREELEY	CO	80631
0305947	SWANSON WELL 12711	HUNGENBERG, MICHAEL & PAUL	HUNGENBERG PRODUCE	976 NORTH BALSAM AVENUE	GREELEY	CO	80631
0108807	WATSON WELL 10499	FIVE-M FARM CO		20295 WCR 66	GREELEY	CO	80631
0109178	HUNGENBERG WELL 1-11034	HUNGENBERG, DONALD	HUNGENBERG PRODUCE	976 NORTH BALSAM AVENUE	GREELEY	CO	80631
0105224	MCELROY WELL 1-12798	HUNGENBERG, MICHAEL & PAUL	HUNGENBERG PRODUCE	976 NORTH BALSAM AVENUE	GREELEY	CO	80631
0105749	BLISS WELL 12334	BLISS GREELEY FARM, LLLP	Susan Boyd	2695 Amber Dr	LOVELAND	CO	80537
0105390	WINTERS WELL 1-13199F	WINTERS, JERRY & DIXIE HOFFNER	JERRY WINTERS	1890 SEADRIFT DRIVE	WINDSOR	CO	80550
0306338	ROTHLISBERGER W R-19437	HOSHIKO, DENNIS		P O BOX 119	KERSEY	CO	80644
0106280	DAVIS WELL 1-14965	GREELEY WELD CO AIRPORT AUTH		P O BOX 727	GREELEY	CO	80632
0108381	SITZMAN WELL 8726	GREELEY WELD CO AIRPORT AUTH		P O BOX 727	GREELEY	CO	80632
0305770	PETERSON WELL	GREELEY WELD CO AIRPORT AUTH		P O BOX 727	GREELEY	CO	80632
0106431	EHRlich WELL 1-8743	GREELEY WELD CO AIRPORT AUTH		P O BOX 727	GREELEY	CO	80632
0108824	WEBSTER LAND WELL 11566	FARMLAND RESERVE INC	c/o GREELEY COLORADO CROPS	30100 WCR 47	GREELEY	CO	80631
0108825	WEBSTER LAND WELL 11567	FARMLAND RESERVE INC	c/o GREELEY COLORADO CROPS	30100 WCR 47	GREELEY	CO	80631
0108826	WEBSTER LAND WELL 11568	FARMLAND RESERVE INC	c/o GREELEY COLORADO CROPS	30100 WCR 47	GREELEY	CO	80631
0108934	WESENBERG WELL 8657	MC GLOTHLIN, MARGARET M, ETAL.	DEBORAH MCGLOTHLIN	6734 S. DETROIT CIRCLE	CENTENNIAL	CO	80122
0108935	WESENBERG WELL 8658	MC GLOTHLIN, MARGARET M, ETAL.	DEBORAH MCGLOTHLIN	6734 S. DETROIT CIRCLE	CENTENNIAL	CO	80122
0105430	ACHZIGER WELL 13379	STEPHEN & LUANN ZEHNDER		2365 WCR 23	FORT LUPTON	CO	80621
0105391	WINTERS WELL 2-13200F	WINTERS, JERRY & DIXIE HOFFNER	JERRY WINTERS	1890 SEADRIFT DRIVE	WINDSOR	CO	80550
0106062	COOK WELL 1-013197-F	COOK FARM, LLC	MIKE COOK	32470 WCR 63	GILL	CO	80624
0107977	PFEIFFER WELL 2-11572	JOHN LARSON		31256 WCR 59	GILL	CO	80624
0107976	PFEIFFER WELL 1-11571	JOHN LARSON		31256 WCR 59	GILL	CO	80624
0105747	BLISS WELL 1-14508	HUNGENBERG, MICHAEL & PAUL	HUNGENBERG PRODUCE	976 NORTH BALSAM AVENUE	GREELEY	CO	80631
0108379	SITZMAN WELL 13631	WARDLAW, JOHN		26260 WCR 60 1/2	GREELEY	CO	80631
0305700	K-BAR WELL NO 1-14535	DOERING, G.W. & COMPANY		14495 WCR 64	GREELEY	CO	80631
0305964	K-BAR WELL NO 2-14536	DOERING, G.W. & COMPANY		14495 WCR 64	GREELEY	CO	80631
0307119	DETTTERER WELL 04447-F	DETTTERER, LEE W		31815 WCR 23 3/4	GREELEY	CO	80631
0307120	DETTTERER WELL 10847-F	DETTTERER, LEE W		31815 WCR 23 3/4	GREELEY	CO	80631
0108551	SUTTER INC WELL 1-8665	PETROCCO FAMILY LIMITED PART.		14100 BRIGHTON ROAD	BRIGHTON	CO	80601
0107734	MOORE WELL 11581	GREELEY WELD CO AIRPORT AUTH		P O BOX 727	GREELEY	CO	80632
0105217	LUNDVALL WELL 1-19413	BASHOR, MILLARD		31857 WCR 68	GILL	CO	80624
0105600	BATES WELL 1-12090F	DEVRIES, GARRETT	MONTE VISTA DAIRY	30984 WCR 61	GILL	CO	80624
0109223	LUNDVALL WELL 2-19413	BASHOR, MILLARD		31857 WCR 68	GILL	CO	80624
0105601	BATES WELL 2-3791F	DEVRIES, GARRETT	MONTE VISTA DAIRY	30984 WCR 61	GILL	CO	80624
0105602	BATES WELL 3-3792F	DEVRIES, GARRETT	MONTE VISTA DAIRY	30984 WCR 61	GILL	CO	80624
0107103	KERBS WELL 5-348	BASHOR, MILLARD		31857 WCR 68	GILL	CO	80624
0106837	HANSEN WELL 2-6284	TATEYAMA, GEORGE M		41518 WCR 43	AULT	CO	80610
0106833	HANSEN WELL 1-6283	TATEYAMA, GEORGE M		41518 WCR 43	AULT	CO	80610
0106508	FARR FARMS WELL 17 S-1	HUNGENBERG, MICHAEL & PAUL	HUNGENBERG PRODUCE	976 NORTH BALSAM AVENUE	GREELEY	CO	80631
0105900	BUNCH WELL 4-13236	LONGS PEAK DAIRY	Rick Podtburg	45490 WCR 39	Pierce	CO	80650
0105901	BUNCH WELL 5-13237	LONGS PEAK DAIRY	Rick Podtburg	45490 WCR 39	Pierce	CO	80650
0105902	BUNCH WELL 6-15860	LONGS PEAK DAIRY	Rick Podtburg	45490 WCR 39	Pierce	CO	80650
0305835	HERGERT WELL 1-12843	BECHTHOLDT, BETTY		4644 W. 21ST STREET CIRCLE	GREELEY	CO	80634
0305858	HERGERT WELL 2-13388	BECHTHOLDT, BETTY		4644 W. 21ST STREET CIRCLE	GREELEY	CO	80634
0306279	H W FARR INC W 8-R13449	FAGERBERG, DAVID, JR		6350 EAST COUNTY ROAD 56	FORT COLLINS	CO	80524
0105856	BROWN WELL 1-10059	DEHAAN, MARGARET J.		P O BOX 40	MEAD	CO	80542
0107101	KERBS WELL 3-346	PEPPLER, PARRY		30771 WCR 68	GILL	CO	80624
0107102	KERBS WELL 4-347	PEPPLER, PARRY		30771 WCR 68	GILL	CO	80624
0105857	BROWN WELL 2-10060	DEHAAN, MARGARET J.		P O BOX 40	MEAD	CO	80542
0105858	BROWN WELL 3-10061	DEHAAN, MARGARET J.		P O BOX 40	MEAD	CO	80542
0105859	BROWN WELL 4-10062	DEHAAN, MARGARET J.		P O BOX 40	MEAD	CO	80542
0105861	BROWN WELL 5-10063	DEHAAN, MARGARET J.		P O BOX 40	MEAD	CO	80542
0105863	BROWN WELL 6-6563-F	DEHAAN, MARGARET J.		P O BOX 40	MEAD	CO	80542
0305869	SWANSON WELL 1-013618-F	WILLOWS SPRINGS ESTATES		P O BOX 42	WINDSOR	CO	80550



Lower Poudre Augmentation Company		
Figure 4 - Plan Wells & Irrigated Land		
HRS Water Consultants, Inc.		
Sept 2012	Job No. 03-12	NewCache_Fig4.mxd

APPENDIX B

Morrison and Rigden Farm Map



Date Saved: 8/3/2015 2:10:28 PM
Path: N:\07161_LPAC\GIS\Rigden Farm.mxd

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BOX ELDER DITCH SHARE EVALUATION Overview Map

Date: 3 Aug 2015
Job #: 07-161
Drawn By: JMD

Figure:
1
Of: 1

APPENDIX C

Yields of Water Rights

August 4, 2015

Mr. Dale Trowbridge
Lower Poudre Augmentation Company
33040 Railroad Avenue
PO Box 104
Lucerne, CO 80646

RE: Preliminary Box Elder Ditch Shares Historical Consumptive Use Evaluation

Dear Dale:

Applegate Group, Inc. has completed an evaluation of the historic consumptive use for 2.0 Box Elder Ditch shares, which the Lower Poudre Augmentation Company (LPAC) plans to purchase from Cottonwood Farms (Cottonwood). This initial evaluation will provide information for the purchase closing with Cottonwood and for inclusion in a Colorado Water Conservation Commission (CWCB) loan application.

In the future, the LPAC plans to file a change of use application for these shares in water court. At that time, Applegate Group will complete a more detailed engineering report to support the change of use application. The more detailed report and dry-up documentation may result in slightly different values than this initial historic consumptive use evaluation.

The 2.0 Cottonwood shares LPAC intends to purchase were historically used at two different properties, which we refer to in this letter as the Morrison Farm and the Rigden Farm. The location of the two farms is shown on Figure 1, attached. A separate historic consumptive use calculation was completed for each property.

There have been several water court cases changing Box Elder Ditch shares from irrigation to augmentation and other uses. Each case has completed a parcel by parcel historic consumptive use analysis for the property where the individual shares were used. Consequently, each case has decreed slightly different historic consumptive use credit values for a Box Elder Ditch share depending on the site-specific use of the shares.

Box Elder Ditch

The BEDC has 64 shares outstanding and is the owner of the water rights in the Box Elder Ditch. The Box Elder Ditch was decreed for irrigation in Civil Action No. 320 on April 11, 1882 with appropriation dates of March 1, 1866 for 32.50 cfs, May 25, 1867 for 8.33 cfs, and July 1, 1868

for 11.93 cfs from the Cache la Poudre River. The right is the number 15 priority on the Poudre River. The two later enlargements of 8.3 cfs and 11.9 cfs have priority numbers 23 and 30, respectively. The capacity of the ditch is approximately 53 cfs. The 2.0 shares LPAC intends to purchase represent 3.125% of the BEDC. Shares in the BEDC have previously been changed by the Water Court in the following decreed change cases:

Case No.	# of Shares	Applicant
88CW213	1	John B. Jensen
90CW071	4	Larimer County
92CW165	1	CCWCD & Hall-Irwin
94CW015	3	Louis F. Swift
00CW166	1.5	CCWCD & GMS
09CW030	4.5	LPAC

Cottonwood currently owns 6.5 shares in the BEDC as shown in the attached share trace flowchart. The 2.0 shares LPAC intends to purchase are represented by the 0.5 share under Certificate #349 which was historically used on the Morrison Farm and 1.5 of the 4.0 shares under Certificate #239 which were historically used on the Rigden Farm.

Morrison Farm: 0.5 of 4.0 Box Elder Ditch Shares

LPAC previously acquired from Cottonwood 3.5 of the 4.0 shares historically used on the Morrison Farm and subsequently changed these shares in Case No. 09CW030 (the remaining 1.0 share acquired by LPAC and changed in that case was historically used on the Weiderspon Farm). LPAC proposes to acquire the remaining 0.5 share from Cottonwood that was historically used on the Morrison Farm.

Given that 3.5 shares from the Morrison Farm have already been changed in Water Court, the historical consumptive use of the remaining 0.5 shares is already established and is equivalent to the pro-rata historical consumptive use of the changed shares. Pursuant to the Applegate Group October 2009 Rebuttal Response Report for Case No. 09CW030 (on which the final decreed values for the case were largely based), the historical consumptive use of the 3.5 Morrison Farm shares changed in that case was 152.68 acre-feet per year or 43.62 acre-feet per share. The remaining 0.5 Morrison Farm share therefore has a historical consumptive use value of 21.81 acre-feet per year.

A gravel pit now exists at the location of the historical Morrison Farm. The gravel pit is planned to become a lined reservoir once mining is complete; therefore dry-up of the historically irrigated land has occurred. In Case No. 09CW030, roughly 87.5% of the historically irrigated land on the Morrison Farm was claimed as dry-up, corresponding to 3.5 of the 4.0 shares historically used on the site. As shown on Figure 1, LPAC can claim dry-up on the remaining 12.5% of the historically irrigated land for the remaining 0.5 share.

Rigden Farm: 1.5 of 4.0 Box Elder Ditch Shares

The Rigden Farm was historically irrigated by 4.0 BEDC shares. As shown in Figure 1, there was irrigated land on both the northeast and southwest side of where the Box Elder Ditch cuts through the property. For the purposes of this analysis, only the land northeast of the main ditch, an area of approximately 120.7 acres, was considered to be irrigated by the 4.0 BEDC shares. It is possible that the land southwest of the main ditch was also irrigated by the 4.0 BEDC shares; this possibility should be further investigated prior to the submittal of the Water Court change of use application as such additional lands could increase the consumptive use value of the shares beyond what is determined in this evaluation.

A December 13, 2002 affidavit for the historic use of the BEDC shares used on the Rigden Farm, as well as other adjacent farms, was obtained from Mr. John Weitzel (see attached). The affidavit indicates that the farm was flood irrigated continuously from 1950 through 1980 and the crops grown were typically 25% each in alfalfa, barley, corn, and sugar beets.

For this analysis, a study period of 1950 to 1980 was used. This study period was selected based on the period covered by the historical use affidavit, to provide a period which encompasses wet, dry, and average years, and to provide a study period that is representative of the decreed use of the water rights for irrigation prior to the beginning of gravel mining on the property.

The IDSCU tool was utilized to calculate the potential consumptive use of the crops using the modified Blaney-Criddle method. The SCS TR-21 crop coefficients were used for the evaluation. Temperature and precipitation data were obtained for the City of Fort Collins and City of Greeley weather stations. The weather data was weighted by proximity to the Rigden Farm, with Fort Collins representing 70% influence and Greeley representing 30% influence.

Box Elder Ditch river diversions were obtained from CDSS. A 15% ditch loss and 60% application efficiency were assumed in accordance with the assumptions decreed in LPAC's prior change (Case No. 09CW030). Given the close proximity and similarity of irrigation methods between the Rigden Farm and the Morrison / Weiderspon farms, in my opinion this assumption is reasonable. According to the Larimer County soil survey, the Rigden Farm is underlain predominantly by Table Mountain Loam soils; therefore a loam soil with an average water holding capacity of 1.5 inches per foot was assumed.

The historical consumptive use evaluation is summarized in the attached Table 1. As shown, the 4.0 shares historically used on the Rigden Farm had an average consumptive use of 176.28 acre-feet per year, which equates to approximately 44.07 acre-feet per share. Therefore, the 1.5 shares that LPAC intends to acquire from Cottonwood have an annual consumptive use value of approximately 66.11 acre-feet.

As with the Morrison Farm, the Rigden Farm location is now an active gravel pit. The historically irrigated land has been removed from irrigation. At this time I do not know what the final planned land use is for the former Rigden Farm location. As such, I recommend that a dry-

up covenant be obtained from Cottonwood for at least 37.5% of the historically irrigated area (or approximately 45.3 acres).

Conclusions

The below table summarizes the historical consumptive use evaluation for the 2.0 BEDC shares that LPAC intends to acquire from Cottonwood:

(A)	(B)	(C)	(D)
Property	BEDC shares to be purchased by LPAC from Cottonwood	Historic Consumptive Use Credit* (acre-feet)	Historic Consumptive Use Per Share (acre-feet)
Morrison Farm	0.5	21.81	43.62
Rigden Farm	1.5	66.11	44.07

**column (C) shows the HCU Credit for the number of shares listed in column (B)*

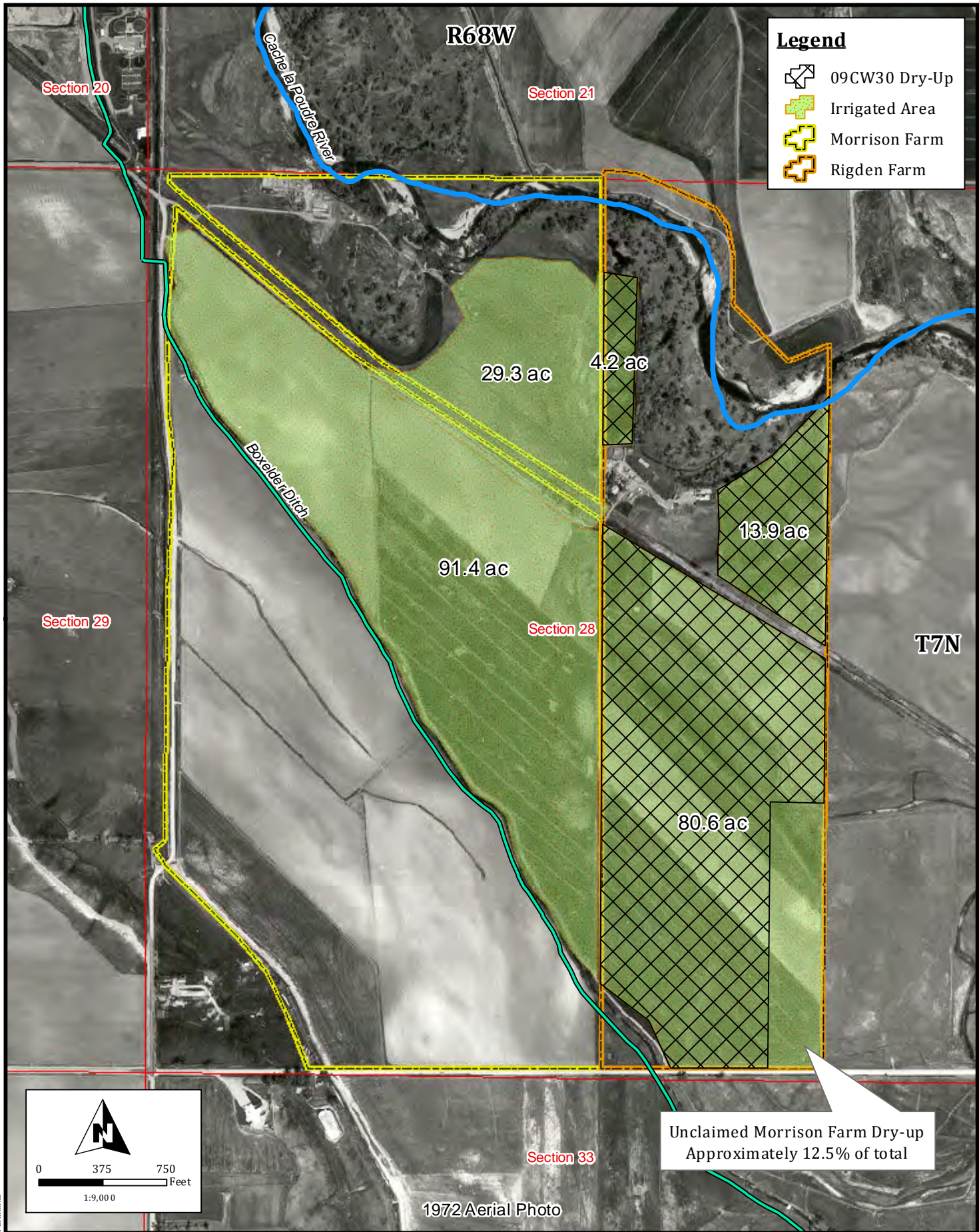
If you have any questions or need further information, please contact me at (303)-452-6611 or jareddains@applegategroup.com.

Cordially,
Applegate Group, Inc.



Jared Dains, P.E.
Water Resource Engineer

cc: AG File No. 07-161



Date Saved: 8/3/2015 2:10:28 PM
Path: N:\07161_LPAC\GIS\Rigden Farm.mxd

Applegate Group, Inc.
Water Resource Advisors for the West
1490 West 121st Ave., Ste 100 Phone: (303) 452-6611
Denver, CO 80234-2728 Fax: (303) 452-2759
www.ApplegateGroup.com e-mail: info@applegategroup.com

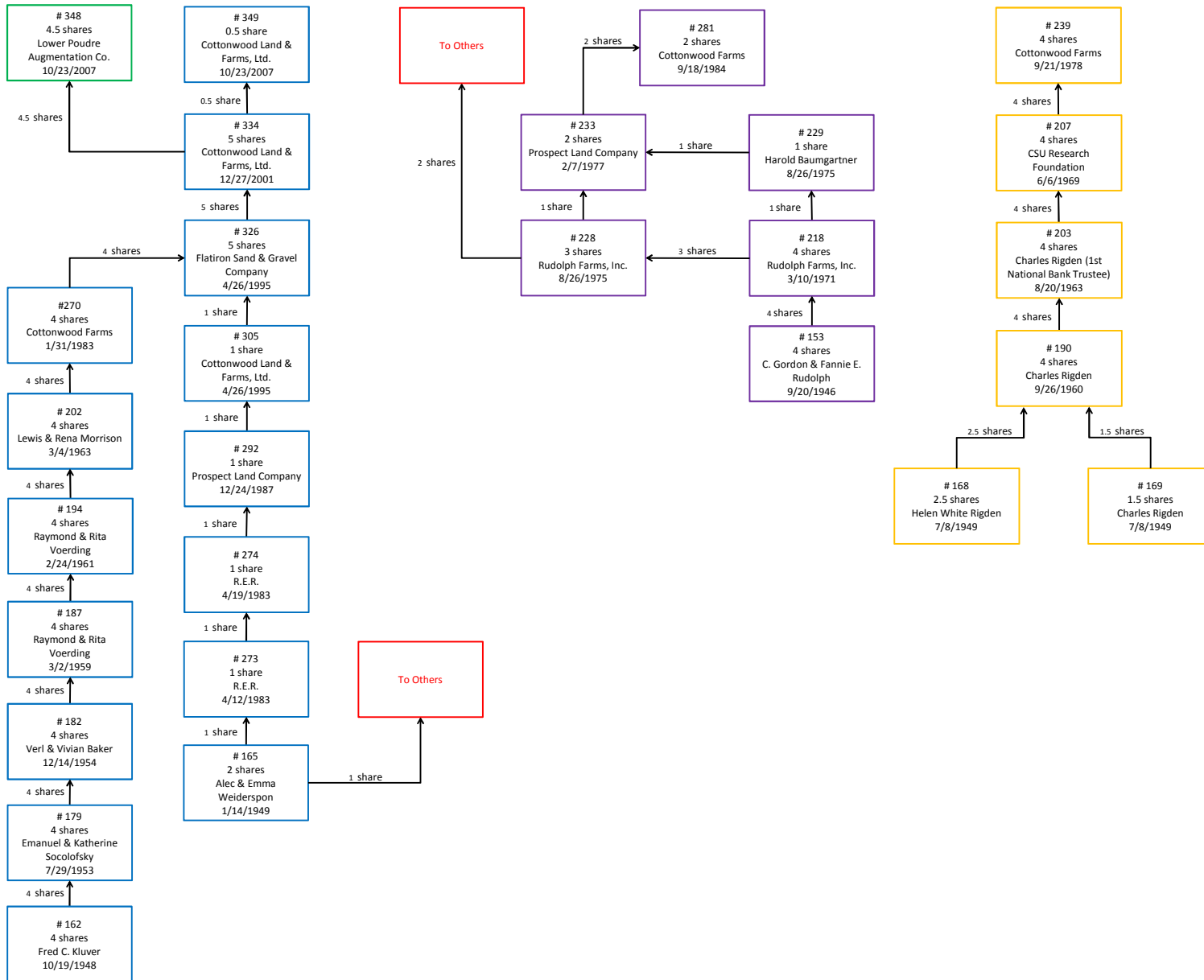
BOX ELDER DITCH SHARE EVALUATION Overview Map

Date: 3 Aug 2015
Job #: 07-161
Drawn By: JMD

Figure:
1
Of: 1

BOX ELDER DITCH COMPANY SHARE TRACE

August 3, 2015



STATE OF COLORADO)
) ss.
COUNTY OF Larimer)

AFFIDAVIT OF USE

I, John Weitzel, swear that the following is true to the best of my knowledge:

1. My present address is: 4972 SE Frontage Road
PO Box 100
Timnath, CO 80547

*We own all
8 of these shares.*

I have lived at this address since 1951.

The properties shown in the attached aerial photo were known as the East Rigden, Morrison, and Baumgartner Farms. The land was irrigated and farmed continuously during the years 1950-1980.

The property irrigated under the Box Elder Ditch is located in Sections 27 and 28, Township 7N, Range 68W, 6th PM. in Larimer County, Colorado.

2. I am personally knowledgeable of the uses of water from the Box Elder Ditch on the lands shown in the aerial photo attached hereto. I served as the President of the Box Elder Ditch from 1961-1999 and was familiar with these farms that were irrigated by water delivered through the Box Elder Ditch.
3. The surface water rights historically used for irrigation on the land were 8.0 shares in the Box Elder Ditch Company.
4. The 8.0 Box Elder Ditch shares were typically used from April 15 to September 30 each year.
5. The surface water rights were sufficient to meet the irrigation requirement of the crops grown on this property.
6. There were no wells, subirrigation, or other water supplies such as Colorado-Big Thompson (C-BT) units used on this property as a supplemental irrigation source.
7. The 8.0 Box Elder Ditch shares were used to irrigate approximately 270 acres of land.
8. The crop rotation pattern for the property each year was approximately 25% each in alfalfa, barley, corn, and sugar beets.
9. The crop rotation pattern for the property was approximately 25% each in alfalfa, barley, corn, and sugar beets during the study period.
10. The farms were always flood irrigated.

Dated this 13 day of Dec, 2002.

John E. Weitzel
Mr. John Weitzel

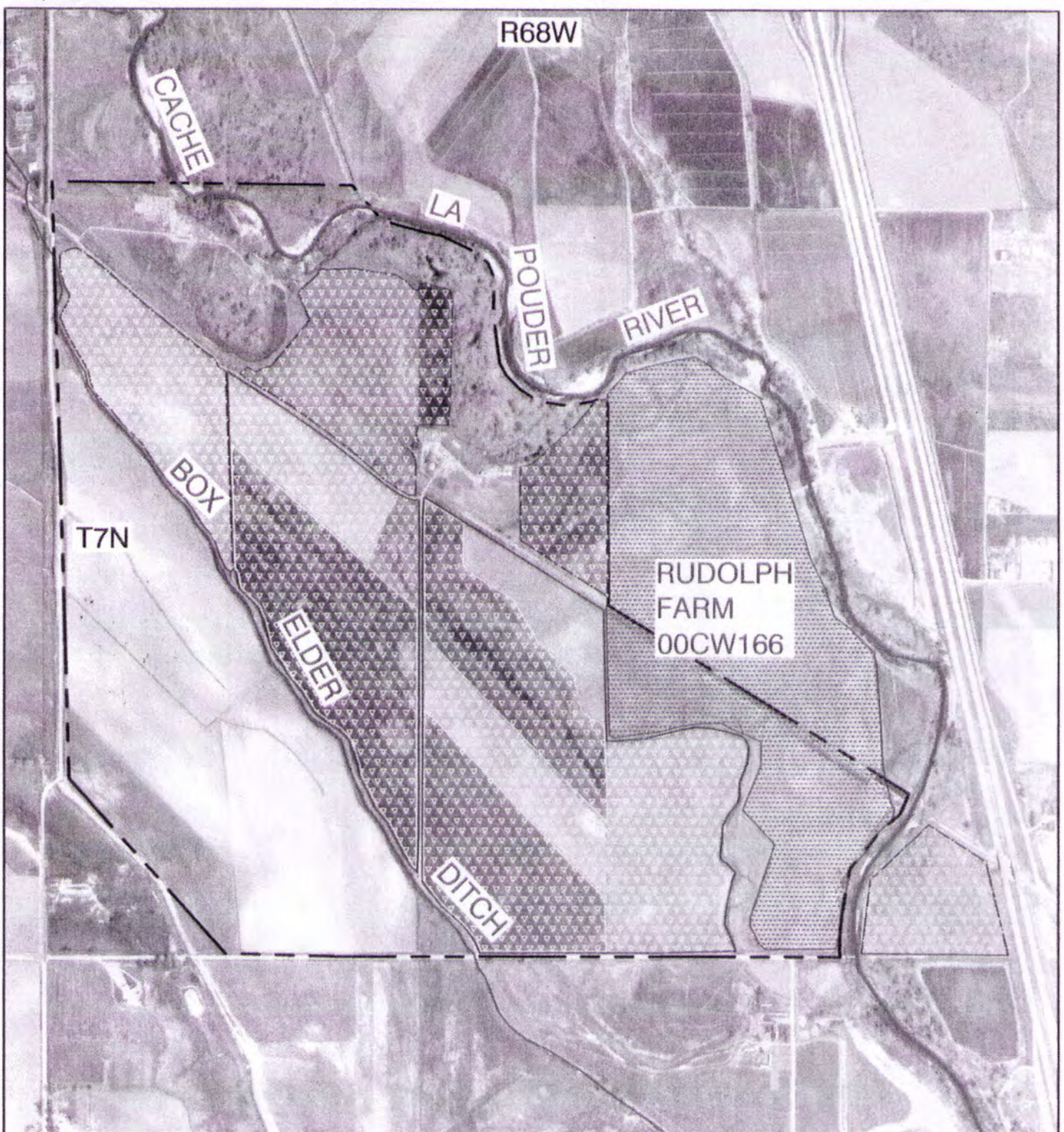
Subscribed and sworn to before me this 13 day of December, 2002.

Witness my hand and official seal.

My commission expires: 7/7/2003

Cindy S. Woods
Notary Public





LEGEND:

AERIAL PHOTO TAKEN 5-15-72

IRRIGATED AREA - TOTAL AREA = 270 ac



1000 500 0 1000



SCALE IN FEET

Date: 09-18-02
Job No: 01-185
Drawn: EPS
Design:
Checked: RTR
File: Historic irrigated area.DWG
Scale: 1"=1,000'

FLATIRON COMPANIES
EAST RIGDEN SITE
HISTORICALLY IRRIGATED ACREAGE



**Applegate
Group, Inc.**

Consultants for Land, Minerals, and Water

1499 West 120th Ave., Ste. 200 5441 Boeing Dr., Ste. 200
Denver, CO 80234-2728 Loveland, CO 80538
(303) 452-6611 (970) 461-9804
Fax: (303) 452-2759 Fax: (970) 613-1177
email: info@applegategroup.com Website: ApplegateGroup.com

Table 1**Rigden Farm Box Elder Ditch Consumptive Use Analysis
Analysis Summary**

No. of shares on Rigden Farm = 4
 No. of shares in BEDC = 64

All values in ac-ft unless noted otherwise

Month	Total River Diversions	Pro-Rata River Diversion	Ditch Loss	Farm Headgate Delivery	Water Available	Crop Irrigation Requirement	Consumptive Use
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
January	0	0.00	0.00	0.00	0.00	0.00	0.00
February	0	0.00	0.00	0.00	0.00	0.00	0.00
March	0	0.00	0.00	0.00	0.00	0.09	0.00
April	46	2.90	0.43	2.46	1.48	2.53	1.02
May	977	61.09	9.16	51.93	31.16	12.54	14.09
June	1,345	84.08	12.61	71.47	42.88	38.88	35.15
July	2,108	131.77	19.77	112.01	67.20	61.14	61.34
August	1,452	90.75	13.61	77.13	46.28	47.81	43.12
September	600	37.52	5.63	31.89	19.14	22.11	17.45
October	145	9.07	1.36	7.71	4.63	3.73	4.09
November	1	0.04	0.01	0.03	0.02	0.00	0.02
December	0	0.00	0.00	0.00	0.00	0.00	0.00
Total	6,675	417.22	62.58	354.63	212.79	188.83	176.28

Notes:

Consumptive Use = 44.07 ac-ft / share

(A) Total river diversions; 1950 - 1980 study period

(B) River diversions pro-rated by number of shares on East Rigden Farm

(C) Ditch loss assumed to be 15%

(D) = (B) - (C)

(E) Maximum irrigation efficiency assumed to be 60%

(F) Crop irrigation requirement per IDSCU

(G) Consumptive use includes crop consumption and delivery to soil moisture reservoir

APPENDIX D

Opinion of Share Market Value

a. bruce

JOHNSON & ASSOCIATES

LAND RESOURCE SPECIALISTS

801 8th Street - Suite 220

Greeley, Colorado 80631

(970) 356-6110

FAX (970) 352-8761



August 5, 2015

Dale Trowbridge, Manager
Lower Poudre Augmentation Company
33040 Railroad Ave.
Lucerne, CO 80640

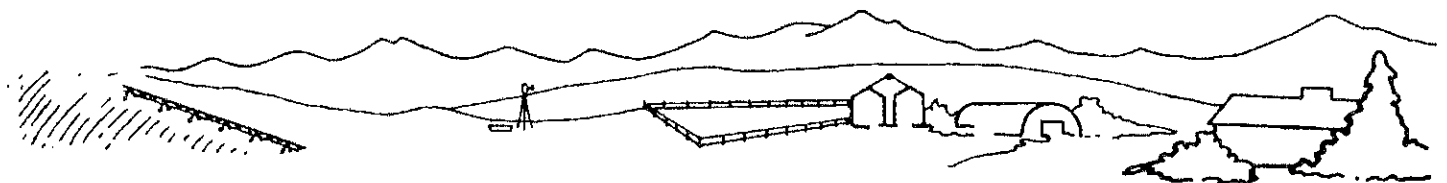
Dear Dale:

This letter is in response to your request for an opinion letter for the market value of the Boxelder Ditch Company shares. I am not a Licensed Real Estate Appraiser, however, I am a licensed Real Estate Broker who specializes in the brokerage of irrigated farm properties and water rights in the Poudre River drainage area. The attached Exhibit A "Assumptions and Limited Conditions" and Exhibit B "My Qualifications" may be significant.

As you well know Boxelder Ditch Company has very limited activity. Therefore, specific current sales are not available. However, there is a common thread between various ditches in the area when sold for "dry up" and conversion to Municipal use. This common thread is called consumptive use. Consumptive use must be calculated specifically of each farm. It is calculated by the historical crops grown each year and the acreage of each crop. A specialize Hydrologist is needed to accurate assess this figure. A rough figure is roughly 1 ½ acre foot be acre irrigated. The catch is that each soil type and irrigation method requires a different amount of water applied. Thus the bottom line "consumptive use" means what the plant actually uses - not what is applied to the farm.

The recent consumptive use price figures have ranged from \$7,000 to \$12,000 per consumptive use depending on the close proximity to the change of use location and the year 2015 verses 2013 and earlier. It appears that several Buyers are willing to hit the \$10,000 to \$11,000 per acre foot of consumptive use.

My available records show an average delivery of 95 acre feet per share. As previously stated each farm is different. I would estimate the consumptive use maybe in the 35 – 45 acre foot per share.



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Sales • Exchanges • Minerals • Consulting

Therefore, my conservative valuation is \$10,000 per acre foot consumptive use for the Boxelder Ditch Company. Granted this is up from the common figure of \$7,000 during most of the past 6-7 years. This increase is driven by the escalating Big T water which is now near \$30,000 per acre foot.

It is my opinion this price could reasonably be achieved in a normal marketing program of 6 month. I thank you for your request. If I can be of any further assistance, or if you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "A. Bruce Johnson". The signature is fluid and stylized, with the first letters of the first and last names being capitalized and prominent.

A. Bruce Johnson

EXHIBIT A

ASSUMPTIONS AND LIMITING CONDITIONS

1. I neither assume responsibility for matters of a legal character nor do I render any opinion as to title;
2. It is assumed the Title is merchantable; the property is free and clear of liens and encumbrances, under responsible ownership and competent management;
3. The information furnished to me by others is believed to be reliable, but I assume no responsibility for its accuracy;
4. This letter is to be considered in its entirety. The distribution of value should not be used in conjunction with any other appraisal and is invalid if so used;
5. Neither all nor any part of the contents of this letter shall be conveyed to the public through advertising, public relations, news, sales, or other media, without written consent and approval of the author, particularly as to valuation, the identity of the author or firm with which he is connected;
6. Definition of Value: Market Value as taken from the Dictionary of Real Estate Appraisal AIREA, defined as the *most probable price* in terms of money which a property will bring in a competitive and open market, under all conditions requisite to a fair sale, buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimuli.

Implicit in this definition is the consummation of a sale of a specified date and the passing of title from the seller to the buyer under condition whereby; a.) buyer and seller are typically motivated, b.) both parties are well informed, are well advised, and each acting in what they consider their own best interest, c.) a reasonable time is allowed for exposure on the open market, d.) payment is made in cash or its equivalent, e.) financing, if any, is on terms generally available in the community at a specified date and typical of the property type in its locale, f.) the price represents a normal consideration for the property sold, unaffected by special financing amounts and/or terms, services, fees, costs or credits accrued in the transaction.

EXHIBIT B

Qualifications

Education:

Colorado State University, Ft. Collins, CO	MS Degree 1971
Colorado State University, Ft. Collins, CO	BS Degree 1963
Eaton High School, Eaton, CO	Graduated 1959

Real Estate:

Jones Real Estate College, 1978
Classes in Water, Law, Practice, Finance, Appraisal, Closings, Ethics,
Environmental Assessment, Property Disclosure
Yearly Continuing Education Courses in Colorado and Wyoming

License:

Colorado Real Estate Broker's License #190741
Since July, 1978
Wyoming Real Estate Broker's License #914
Since January, 1990

Experience:

21 Sales in 1994	19 Sales in 2005
32 Sales in 1995	29 Sales in 2006
38 Sales in 1996	20 Sales in 2007
34 Sales in 1997	16 Sales in 2008
30 Sales in 1998	9 Sales in 2009
36 Sales in 1999	14 Sales in 2010
41 Sales in 2000	14 Sales in 2011
26 Sales in 2001	10 Sales in 2012
24 Sales in 2002	11 Sales in 2013
23 Sales in 2003	12 Sales in 2014
23 Sales in 2004	14 Sales to date 2015

Yearly sales range from \$2.5 million to \$10.5 million in farmland and water rights. Owner and Broker of A. Bruce Johnson & Associates, Ltd. since its inception in 1978.

Own and operate farmland continuously since 1972 in Weld County, Colorado. Currently own 1100 Acres Irrigated farmland, 20,000 sq. ft. of Commercial office space and 8 rental houses.

Six years as Vice President and Agri-Business Manager for United Bank of Denver, N.A., Denver, Colorado

Nine years as an Extension Agent for Colorado State University Extension Service in eastern and southern Colorado.

a. bruce

JOHNSON & ASSOCIATES

LAND RESOURCE SPECIALISTS

801 8th Street - Suite 220

Greeley, Colorado 80631

(970) 356-6110

FAX (970) 352-8761



August 5, 2015

Dale Trowbridge
Lower Poudre Augmentation Co.
33040 Railroad Ave.
Lucerne, CO 80646

Dear Dale:

This letter is to serve as a statement of my time in preparing your water evaluation request for the Boxelder Ditch Company.

Valuation Fee

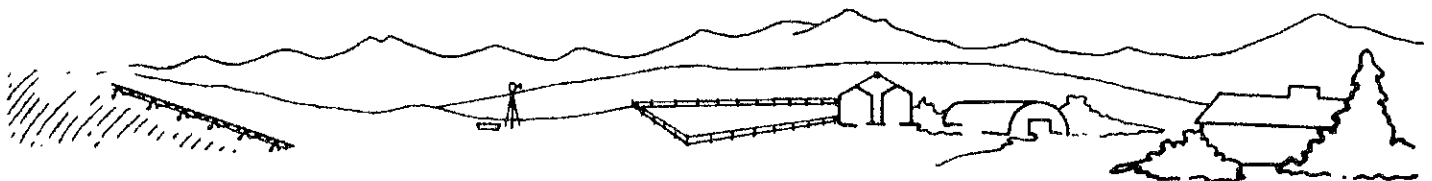
TOTAL: \$300.00

Please do not hesitate to contact me if I can be of any further assistance.

Thank you for your request!!

Sincerely,

A. Bruce Johnson



Colorado-Nebraska-Wyoming • Farm & Ranch • Water
Sales • Exchanges • Minerals • Consulting

APPENDIX E

Financial Statements

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF ASSETS, LIABILITIES AND
STOCKHOLDERS' EQUITY - INCOME TAX BASIS
AS OF NOVEMBER 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Checking - New West Bank	\$ 3,998.29	\$ 3,518.41
Total Current Assets	3,998.29	3,518.41
PROPERTY AND EQUIPMENT		
Land & Reservoir Sites	1,248,273.11	1,248,273.11
Buildings & Improvements	1,363,222.87	1,363,222.87
Office Equipment	9,020.22	0.00
Less: Accumulated Depreciation	(200,991.06)	(65,590.14)
Net Property and Equipment	2,419,525.14	2,545,905.84
OTHER ASSETS		
Loan Fees (Net)	33,978.05	35,153.08
Water Rights	900,000.00	900,000.00
Total Other Assets	933,978.05	935,153.08
TOTAL ASSETS	<u>\$3,357,501.48</u>	<u>\$3,484,577.33</u>

See Accompanying Notes and Accountants' Report.

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF ASSETS, LIABILITIES AND
STOCKHOLDERS' EQUITY - INCOME TAX BASIS
AS OF NOVEMBER 30, 2012 AND 2011

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES		
Current Portion of Long Term Debt	\$ 83,123.38	\$ 81,095.98
Total Current Liabilities	83,123.38	81,095.98
LONG-TERM LIABILITIES		
Note Payable - CWCB	3,479,237.02	3,560,333.00
Less: Current Portion of Long-Term Debt	<u>(83,123.38)</u>	<u>(81,095.98)</u>
Total Long-Term Liabilities	<u>3,396,113.64</u>	<u>3,479,237.02</u>
Total Liabilities	3,479,237.02	3,560,333.00
STOCKHOLDERS' EQUITY		
Capital Stock	300.00	300.00
Retained Earning - Prior Years	(76,055.67)	77,868.82
Net Income (Loss)	<u>(45,979.87)</u>	<u>(153,924.49)</u>
Total Stockholders' Equity	<u>(121,735.54)</u>	<u>(75,755.67)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$3,357,501.48</u>	<u>\$3,484,577.33</u>

See Accompanying Notes and Accountants' Report.

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF REVENUE AND EXPENSES -
INCOME TAX BASIS
FOR THE YEARS ENDED NOVEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
REVENUE		
Well Assessments	\$ 499,056.49	\$ 463,290.94
Other Assessments	110.99	3,499.22
Post Pumping Assessments	43,206.94	24,164.44
Augmentation Income	6,000.00	0.00
Easement/ Right of Way	5,000.00	0.00
Water Rental	<u>13,072.50</u>	<u>0.00</u>
Total Revenue	566,446.92	490,954.60
OPERATING EXPENSES		
Assessments - Delivery	4,150.00	13,377.50
Augmentation & Recharge Plan	38,042.62	91,311.20
Change Case Study	114,078.20	0.00
Director's Fees	7,800.00	6,000.00
Liability Insurance	6,730.01	6,512.32
Professional Services	19,739.01	20,240.45
Management Fee	108,000.00	160,000.00
Office Supplies	131.60	10.00
Outside Labor	4,800.00	4,800.00
Water Rent	77,166.00	77,883.00
Repairs & Maintenance	1,839.98	377.62
Taxes & Licenses	15.01	14.84
Utilities	<u>2,811.45</u>	<u>553.71</u>
Total Operating Expenses	<u>385,303.88</u>	<u>381,080.64</u>
OPERATING INCOME (LOSS)	<u>181,143.04</u>	<u>109,873.96</u>
OTHER INCOME (EXPENSES)		
Interest Expense	(90,546.96)	(205,582.61)
Depreciation	(135,400.92)	(58,117.92)
Amortization	<u>(1,175.03)</u>	<u>(97.92)</u>
Total Other Income (Expense)	<u>(227,122.91)</u>	<u>(263,798.45)</u>
NET INCOME (LOSS)	<u>\$ (45,979.87)</u>	<u>\$ (153,924.49)</u>

See Accompanying Notes and Accountants' Report.

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF CASH FLOWS -
INCOME TAX BASIS
FOR THE YEARS ENDED NOVEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ (45,979.87)	\$ (153,924.49)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	136,575.95	58,215.84
Losses (gains) on sales of fixed assets	0.00	0.00
Decrease (increase) in operating assets:		
Other	0.00	(35,251.00)
Increase (decrease) in operating liabilities:		
Accounts Payable	0.00	(2,099.35)
Accrued Liabilities	0.00	0.00
Total Adjustments	<u>136,575.95</u>	<u>20,865.49</u>
Net cash provided by (used in) operating activities	90,596.08	(133,059.00)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures -		
Land & Reservoir (net)	0.00	(336,078.14)
Office Equipment	<u>(9,020.22)</u>	<u>0.00</u>
Net cash provided by (used in) investing activities	(9,020.22)	(336,078.14)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short term borrowings:		
Proceeds from New Borrowings	0.00	472,655.55
Payments on Long-Term Notes	<u>(81,095.98)</u>	<u>0.00</u>
Net cash provided by (used in) financing activities	<u>(81,095.98)</u>	<u>472,655.55</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	479.88	3,518.41
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,518.41</u>	<u>0.00</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 3,998.29</u></u>	<u><u>\$ 3,518.41</u></u>

See Accompanying Notes and Accountants' Report.

LOWER POUDDRE AUGMENTATION COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations. Lower Poudre Augmentation Company, a corporation, purchases and rents water to meet contract requirements with well owners to cover water depletions.

Basis of Accounting. The accompanying financial statements of Lower Poudre Augmentation Company, a corporation, are prepared on the basis of accounting used for the Corporation's federal income tax return. Under the income tax basis of accounting, revenues are recognized when collected and expenses are recognized when paid. The accompanying financial statements do not reflect uncollected revenues or unpaid expenses. This method differs from generally accepted accounting principles which requires revenues to be recognized when earned and expenses to be recognized when the obligations are incurred.

Property and Equipment. Property and equipment are carried at cost. Depreciation is computed under the alternative depreciation system used for federal income tax purposes. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance repairs are charged to expense as incurred.

Cash and Cash Equivalents. For purposes of the statement of cash flows, the Company considers all short-term securities purchased with a maturity of twelve months or less to be cash equivalents.

Use of Estimates. The preparation of financial statements on the income tax basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: INCOME TAXES

Lower Poudre Augmentation Company, a corporation, is subject to regular corporate income tax. As of November 30, 2012, the company has a Federal net operating loss carryforward of \$200,859 and a Colorado net operating loss of \$221,972 which expire in tax years 2029 through 2031.

See Accompanying Accountants' Report.

LOWER POUDRE AUGMENTATION COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2012 AND 2011

NOTE 3: NOTES PAYABLE

The note payable to the Colorado Water Conservation Board is secured by a deed of trust for the purchase and construction on the Harmony 25 Reservoir, which was completed in 2011. The note is payable in 30 annual installments of \$107,104.31 including interest at 2.5%. The original amount received was \$3,560,333.00 and is scheduled to pay out in 2041.

Future Minimum Payments of Long-Term Debt are as follows:

YEAR ENDING	
November 30, 2013	\$ 83,123.38
November 30, 2014	85,201.47
November 30, 2015	87,331.51
November 30, 2016	89,514.79
November 30, 2017	91,752.66
And Thereafter	3,042,313.21

NOTE 4: MANAGEMENT AGREEMENT

On January 4, 2005, Lower Poudre Augmentation Company entered into a management agreement with the Cache La Poudre Management Company. This agreement provides that Cache La Poudre Management Company will provide certain management services for Lower Poudre Augmentation Company. The agreement provides a formula for computing the management fee.

NOTE 5: RELATED PARTY TRANSACTIONS

Lower Poudre Augmentation Company assesses fees to the board of directors and members. Some of its revenue results directly or indirectly to this relationship. Some members also serve on the board of directors. Fees and expenses paid to members who served as directors during the years ended November 30, 2012 and 2011 totaled \$7,800.00 and \$6,000.00, respectively.

Lower Poudre Augmentation Company is owned by both New Cache La Poudre Irrigating Company and Cache La Poudre Reservoir Company. Lower Poudre Augmentation Company paid delivery assessments to New Cache La Poudre Irrigating Company during the fiscal years ended November 30, 2012 and 2011, in the amount of \$-0- and \$8,400.00, respectively.

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF ASSETS, LIABILITIES AND
STOCKHOLDERS' EQUITY - INCOME TAX BASIS
AS OF NOVEMBER 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Checking - New West Bank	\$ 9,906.66	\$ 3,998.29
Total Current Assets	9,906.66	3,998.29
PROPERTY AND EQUIPMENT		
Land & Reservoir Sites	1,248,273.11	1,248,273.11
Buildings & Improvements	1,363,222.87	1,363,222.87
Machinery & Equipment	1,075.94	0.00
Office Equipment	9,020.22	9,020.22
Less: Accumulated Depreciation	(319,876.98)	(200,991.06)
Net Property and Equipment	2,301,715.16	2,419,525.14
OTHER ASSETS		
Loan Fees (Net)	32,803.02	33,978.05
Water Rights	900,000.00	900,000.00
Total Other Assets	932,803.02	933,978.05
TOTAL ASSETS	<u>\$3,244,424.84</u>	<u>\$3,357,501.48</u>

See Accompanying Notes and Accountants' Report.

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF ASSETS, LIABILITIES AND
STOCKHOLDERS' EQUITY - INCOME TAX BASIS
AS OF NOVEMBER 30, 2013 AND 2012

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Current Portion of Long Term Debt	\$ 85,201.47	\$ 83,123.38
Total Current Liabilities	85,201.47	83,123.38
LONG-TERM LIABILITIES		
Note Payable - CWCB	3,396,113.64	3,479,237.02
Less: Current Portion of Long-Term Debt	<u>(85,201.47)</u>	<u>(83,123.38)</u>
Total Long-Term Liabilities	<u>3,310,912.17</u>	<u>3,396,113.64</u>
Total Liabilities	3,396,113.64	3,479,237.02
STOCKHOLDERS' EQUITY		
Capital Stock	300.00	300.00
Retained Earning - Prior Years	(122,035.54)	(76,055.67)
Net Income (Loss)	<u>(29,953.26)</u>	<u>(45,979.87)</u>
Total Stockholders' Equity	<u>(151,688.80)</u>	<u>(121,735.54)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$3,244,424.84</u>	<u>\$3,357,501.48</u>

See Accompanying Notes and Accountants' Report.

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF REVENUE AND EXPENSES -
INCOME TAX BASIS
FOR THE YEARS ENDED NOVEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
REVENUE		
Well Assessments	\$ 421,189.52	\$ 499,056.49
Other Assessments	7,233.55	110.99
Post Pumping Assessments	36,299.91	43,206.94
Augmentation Income	0.00	6,000.00
Refunds	227.81	0.00
Easement/ Right of Way	0.00	5,000.00
Water Rental	<u>261,420.00</u>	<u>13,072.50</u>
Total Revenue	726,370.79	566,446.92
OPERATING EXPENSES		
Assessments - Delivery	22,140.00	4,150.00
Augmentation & Recharge Plan	71,786.53	38,042.62
Change Case Study	199,441.01	114,078.20
Director's Fees	9,600.00	7,800.00
Liability Insurance	7,250.54	6,730.01
Professional Services	23,991.72	19,739.01
Management Fee	142,000.00	108,000.00
Miscellaneous	250.00	0.00
Office Supplies	10.00	131.60
Outside Labor	4,800.00	4,800.00
Water Rent	64,737.46	77,166.00
Repairs & Maintenance	29.66	1,839.98
Taxes & Licenses	15.39	15.01
Utilities	<u>2,767.12</u>	<u>2,811.45</u>
Total Operating Expenses	<u>548,819.43</u>	<u>385,303.88</u>
OPERATING INCOME (LOSS)	<u>177,551.36</u>	<u>181,143.04</u>
OTHER INCOME (EXPENSES)		
Interest Expense	(87,443.67)	(90,546.96)
Depreciation	(118,885.92)	(135,400.92)
Amortization	<u>(1,175.03)</u>	<u>(1,175.03)</u>
Total Other Income (Expense)	<u>(207,504.62)</u>	<u>(227,122.91)</u>
NET INCOME (LOSS)	<u>\$ (29,953.26)</u>	<u>\$ (45,979.87)</u>

See Accompanying Notes and Accountants' Report.

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF CASH FLOWS -
INCOME TAX BASIS
FOR THE YEARS ENDED NOVEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ (29,953.26)	\$ (45,979.87)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	120,060.95	136,575.95
Losses (gains) on sales of fixed assets	0.00	0.00
Decrease (increase) in operating assets:		
Other	0.00	0.00
Increase (decrease) in operating liabilities:		
Accrued Liabilities	0.00	0.00
Total Adjustments	<u>120,060.95</u>	<u>136,575.95</u>
Net cash provided by (used in) operating activities	90,107.69	90,596.08
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures -		
Machinery & Equipment	(1,075.94)	0.00
Office Equipment	<u>0.00</u>	<u>(9,020.22)</u>
Net cash provided by (used in) investing activities	(1,075.94)	(9,020.22)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short term borrowings:		
Payments on Long-Term Notes	<u>(83,123.38)</u>	<u>(81,095.98)</u>
Net cash provided by (used in) financing activities	<u>(83,123.38)</u>	<u>(81,095.98)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,908.37	479.88
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,998.29</u>	<u>3,518.41</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 9,906.66</u></u>	<u><u>\$ 3,998.29</u></u>

See Accompanying Notes and Accountants' Report.

**LOWER POUUDRE AUGMENTATION COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2013 AND 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations. Lower Poudre Augmentation Company, a corporation, purchases and rents water to meet contract requirements with well owners to cover water depletions.

Basis of Accounting. The accompanying financial statements of Lower Poudre Augmentation Company, a corporation, are prepared on the basis of accounting used for the Corporation's federal income tax return. Under the income tax basis of accounting, revenues are recognized when collected and expenses are recognized when paid. The accompanying financial statements do not reflect uncollected revenues or unpaid expenses. This method differs from generally accepted accounting principles which requires revenues to be recognized when earned and expenses to be recognized when the obligations are incurred.

Property and Equipment. Property and equipment are carried at cost. Depreciation is computed under the alternative depreciation system used for federal income tax purposes. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance repairs are charged to expense as incurred.

Cash and Cash Equivalents. For purposes of the statement of cash flows, the Company considers all short-term securities purchased with a maturity of twelve months or less to be cash equivalents.

Use of Estimates. The preparation of financial statements on the income tax basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: INCOME TAXES

Lower Poudre Augmentation Company, a corporation, is subject to regular corporate income tax. As of November 30, 2013, the company has a Federal net operating loss carryforward of \$230,812 and a Colorado net operating loss of \$251,925 which expire in tax years 2029 through 2032.

LOWER POUDRE AUGMENTATION COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2013 AND 2012

NOTE 3: NOTES PAYABLE

The note payable to the Colorado Water Conservation Board is secured by a deed of trust for the purchase and construction on the Harmony 25 Reservoir, which was completed in 2011. The note is payable in 30 annual installments of \$107,104.31 including interest at 2.5%. The original amount received was \$3,560,333.00 and is scheduled to pay out in 2041.

Future Minimum Payments of Long-Term Debt are as follows:

YEAR ENDING	
November 30, 2014	\$ 85,201.47
November 30, 2015	87,331.51
November 30, 2016	89,514.79
November 30, 2017	91,752.66
November 30, 2018	94,046.48
And Thereafter	2,948,266.73

NOTE 4: MANAGEMENT AGREEMENT

On January 4, 2005, Lower Poudre Augmentation Company entered into a management agreement with the Cache La Poudre Management Company. This agreement provides that Cache La Poudre Management Company will provide certain management services for Lower Poudre Augmentation Company. The agreement provides a formula for computing the management fee.

NOTE 5: RELATED PARTY TRANSACTIONS

Lower Poudre Augmentation Company assesses fees to the board of directors and members. Some of its revenue results directly or indirectly to this relationship. Some members also serve on the board of directors. Fees and expenses paid to members who served as directors during the years ended November 30, 2013 and 2012 totaled \$9,600.00 and \$7,800.00, respectively.

Lower Poudre Augmentation Company is owned by both New Cache La Poudre Irrigating Company and Cache La Poudre Reservoir Company. Lower Poudre Augmentation Company paid delivery assessments to New Cache La Poudre Irrigating Company during the fiscal years ended November 30, 2013 and 2012, in the amount of \$17,990.00 and \$-0-, respectively.

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF ASSETS, LIABILITIES AND
STOCKHOLDERS' EQUITY - INCOME TAX BASIS
AS OF NOVEMBER 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Checking - New West Bank	\$ 4,064.77	\$ 9,906.66
Total Current Assets	4,064.77	9,906.66
PROPERTY AND EQUIPMENT		
Land & Reservoir Sites	1,248,273.11	1,248,273.11
Buildings & Improvements	1,363,222.87	1,363,222.87
Machinery & Equipment	1,075.94	1,075.94
Office Equipment	9,020.22	9,020.22
Less: Accumulated Depreciation	<u>(426,591.54)</u>	<u>(319,876.98)</u>
Net Property and Equipment	2,195,000.60	2,301,715.16
OTHER ASSETS		
Loan Fees (Net)	31,627.99	32,803.02
Water Rights	<u>900,000.00</u>	<u>900,000.00</u>
Total Other Assets	<u>931,627.99</u>	<u>932,803.02</u>
TOTAL ASSETS	<u>\$ 3,130,693.36</u>	<u>\$ 3,244,424.84</u>

See Accompanying Notes and Accountants' Report.

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF ASSETS, LIABILITIES AND
STOCKHOLDERS' EQUITY - INCOME TAX BASIS
AS OF NOVEMBER 30, 2014 AND 2013

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Current Portion of Long Term Debt	\$ 87,331.51	\$ 85,201.47
Total Current Liabilities	87,331.51	85,201.47
LONG-TERM LIABILITIES		
Note Payable - CWCB	3,310,912.17	3,396,113.64
Less: Current Portion of Long-Term Debt	(87,331.51)	(85,201.47)
Total Long-Term Liabilities	3,223,580.66	3,310,912.17
Total Liabilities	3,310,912.17	3,396,113.64
STOCKHOLDERS' EQUITY		
Capital Stock	300.00	300.00
Retained Earning - Prior Years	(151,988.80)	(122,035.54)
Net Income (Loss)	(28,530.01)	(29,953.26)
Total Stockholders' Equity	(180,218.81)	(151,688.80)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 3,130,693.36</u>	<u>\$ 3,244,424.84</u>

See Accompanying Notes and Accountants' Report.

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF REVENUE AND EXPENSES -
INCOME TAX BASIS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
REVENUE		
Well Assessments	\$ 156,923.53	\$ 421,189.52
Other Assessments	535.86	7,233.55
Well Transfer Charges	600.00	0.00
Post Pumping Assessments	17,224.00	36,299.91
Refunds	0.00	227.81
Insurance Refunds	7,450.67	0.00
Water Rental	226,335.12	261,420.00
Miscellaneous Income	52.10	0.00
	<hr/>	<hr/>
Total Revenue	409,121.28	726,370.79
OPERATING EXPENSES		
Assessments - Delivery	2,800.00	22,140.00
Augmentation & Recharge Plan	34,083.36	71,786.53
Bank Charges	28.00	0.00
Change Case Study	27,587.68	199,441.01
Director's Fees	9,600.00	9,600.00
Liability Insurance	14,901.34	7,250.54
Professional Services	3,339.75	23,991.72
Management Fee	145,000.00	142,000.00
Miscellaneous	0.00	250.00
Office Supplies	0.00	10.00
Outside Labor	4,800.00	4,800.00
Water Rent	0.00	64,737.46
Repairs & Maintenance	0.00	29.66
Taxes & Licenses	15.05	15.39
Utilities	2,703.68	2,767.12
	<hr/>	<hr/>
Total Operating Expenses	244,858.86	548,819.43
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	164,262.42	177,551.36
OTHER INCOME (EXPENSES)		
Interest Expense	(84,902.84)	(87,443.67)
Depreciation	(106,714.56)	(118,885.92)
Amortization	(1,175.03)	(1,175.03)
	<hr/>	<hr/>
Total Other Income (Expense)	(192,792.43)	(207,504.62)
	<hr/>	<hr/>
NET INCOME (LOSS)	\$ (28,530.01)	\$ (29,953.26)

See Accompanying Notes and Accountants' Report.

LOWER POUDRE AUGMENTATION COMPANY
STATEMENT OF CASH FLOWS -
INCOME TAX BASIS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ (28,530.01)	\$ (29,953.26)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	107,889.59	120,060.95
Losses (gains) on sales of fixed assets	0.00	0.00
Decrease (increase) in operating assets:		
Other	0.00	0.00
Increase (decrease) in operating liabilities:		
Accrued Liabilities	0.00	0.00
Total Adjustments	<u>107,889.59</u>	<u>120,060.95</u>
Net cash provided by (used in) operating activities	79,359.58	90,107.69
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures - Machinery & Equipment	<u>0.00</u>	<u>(1,075.94)</u>
Net cash provided by (used in) investing activities	0.00	(1,075.94)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short term borrowings:		
Payments on Long-Term Notes	<u>(85,201.47)</u>	<u>(83,123.38)</u>
Net cash provided by (used in) financing activities	<u>(85,201.47)</u>	<u>(83,123.38)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,841.89)	5,908.37
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,906.66</u>	<u>3,998.29</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 4,064.77</u></u>	<u><u>\$ 9,906.66</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
INTEREST PAID	<u><u>\$ 84,902.84</u></u>	<u><u>\$ 87,443.67</u></u>

See Accompanying Notes and Accountants' Report.

LOWER POUDRE AUGMENTATION COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations. Lower Poudre Augmentation Company, a corporation, purchases and rents water to meet contract requirements with well owners to cover water depletions.

Basis of Accounting. The accompanying financial statements of Lower Poudre Augmentation Company, a corporation, are prepared on the basis of accounting used for the Corporation's federal income tax return. Under the income tax basis of accounting, revenues are recognized when collected and expenses are recognized when paid. The accompanying financial statements do not reflect uncollected revenues or unpaid expenses. This method differs from generally accepted accounting principles which requires revenues to be recognized when earned and expenses to be recognized when the obligations are incurred.

Property and Equipment. Property and equipment are carried at cost. Depreciation is computed under the alternative depreciation system used for federal income tax purposes. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance repairs are charged to expense as incurred.

Cash and Cash Equivalents. For purposes of the statement of cash flows, the Company considers all short-term securities purchased with a maturity of twelve months or less to be cash equivalents.

Use of Estimates. The preparation of financial statements on the income tax basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Other Receivable. The Company does not maintain a reserve for uncollectible accounts. Management policy is to write off specific accounts when and if they are determined to be uncollectible. As of November 30, 2014 and 2013, there are no receivables to write off.

Advertising. The Company expenses advertising costs as they are incurred.

LOWER POUDRE AUGMENTATION COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

NOTE 2: INCOME TAXES

Lower Poudre Augmentation Company, a corporation, is subject to regular corporate income tax. As of November 30, 2014, the company has a Federal net operating loss carryforward of \$259,342 and a Colorado net operating loss of \$280,455 which expire in tax years 2029 through 2034.

The Company's income tax returns are subject to examination by the appropriate tax jurisdictions. As of November 30, 2014, the company has open years for examination from fiscal years ending 2011 to 2014.

NOTE 3: NOTES PAYABLE

The note payable to the Colorado Water Conservation Board is secured by a deed of trust for the purchase and construction on the Harmony 25 Reservoir, which was completed in 2011. The note is payable in 30 annual installments of \$107,104.31 including interest at 2.5%. The original amount received was \$3,560,333.00 and is scheduled to pay out in 2041.

Future Minimum Payments of Long-Term Debt are as follows:

YEAR ENDING	
November 30, 2015	\$ 87,331.51
November 30, 2016	89,514.79
November 30, 2017	91,752.66
November 30, 2018	94,046.48
November 30, 2019	96,397.64
And Thereafter	2,851,869.09

NOTE 4: MANAGEMENT AGREEMENT

On January 4, 2005, Lower Poudre Augmentation Company entered into a management agreement with the Cache La Poudre Management Company. This agreement provides that Cache La Poudre Management Company will provide certain management services for Lower Poudre Augmentation Company. The agreement provides a formula for computing the management fee.

**LOWER POUDRE AUGMENTATION COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

NOTE 5: RELATED PARTY TRANSACTIONS

Lower Poudre Augmentation Company assesses fees to the board of directors and members. Some of its revenue results directly or indirectly to this relationship. Some members also serve on the board of directors. Fees and expenses paid to members who served as directors during the years ended November 30, 2014 and 2013 totaled \$9,600.00 and \$9,600.00, respectively.

Lower Poudre Augmentation Company is owned by both New Cache La Poudre Irrigating Company and Cache La Poudre Reservoir Company. Lower Poudre Augmentation Company paid delivery assessments to New Cache La Poudre Irrigating Company during the fiscal years ended November 30, 2014 and 2013, in the amount of \$17,990.00 and \$-0-, respectively.

NOTE 6: SUBSEQUENT EVENTS

Management evaluated all activity through November 30, 2014 (the report date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements through February 11, 2015 (the date of the financial statements were available for issuance).

The Lower Poudre Augmentation Company

July 31, 2015

Colorado Water Conservation Board
Water Project Loan Program
Mr. Jonathan Hernandez
1313 Sherman St, Room 718
Denver, CO 80203

RE: Water Rights Purchase

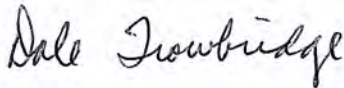
Dear Mr. Hernandez,

The Lower Poudre Augmentation Company is pleased to provide the enclosed loan application to the Colorado Water Conservation Board. The purchase of the water rights will allow the Lower Poudre Augmentation Company to secure water rights for its well augmentation plan.

The Lower Poudre Augmentation Company, and the associated companies, appreciated so much all that CWCB does for the water community. We look forward to working with you to complete this project that is vital to our members who have well pumping depletions accruing to the river.

Thank you for your consideration of this loan application. If you have questions or comments please contact me.

Sincerely,



Dale Trowbridge
General Manager

COLORADO WATER CONSERVATION BOARD

WATER PROJECT LOAN APPLICATION

Instructions: This application should be typed or printed neatly with black ink. Attach additional sheets as necessary to fully answer any question or to provide additional information that would be helpful in the evaluation of this application. When finished, please sign and return this application to:

THE COLORADO WATER CONSERVATION BOARD

Finance Section

1313 Sherman St, Room 721

Denver, CO 80203

Attn: Anna Mauss, P.E.

Phone (303) 866-3441 x3224 Fax (303) 866-4474

Email anna.mauss@state.co.us

Part A. - Description of the Applicant (Generally, the applicant is also the prospective owner and sponsor of the proposed project)

1. Name of applicant Lower Poudre Augmentation Company

Mailing Address P O Box 104, Lucerne, CO 80646

Business Phone (970) 352-0222

Fax (970) 352-0226

Federal ID Number 20-1950933

email dale@newcache.com

2. Person to contact regarding this application:

Name Dale Trowbridge

Position/Title General Manager

Address P O Box 104, Lucerne, CO 80646

Business Phone (970) 352-0222 Cell (970) 381-1639

Email dale@newcache.com

3. Type of organization (Ditch Co., Irrigation District, Municipality, etc.): well augmentation / 501(c)12 non-profit corporation

Date of Annual Meeting: January of each year

Is the organization incorporated in the State of Colorado? YES X NO (If YES, please include a copy of the articles of incorporation, and the bylaws)

CWCB Water Project Loan Application

4. Please provide a brief description of the owner's existing water supply facilities and describe any existing operational or maintenance problems. Attach a map of the service area

See attached sheet.

For existing facilities indicate:

Number of shareholders 2 (see attached sheet) or Number of customers served 28

Current Assessment per share \$ (see attached) Number of shares N/A

Number of acres irrigated 4000 Water Right: CFS.

Average water diverted per year: acre-feet.

Part B. - Description of the Project

1. Name of the Project Lower Poudre Augmentation Company Water Rights Purchase

2. Purpose of this loan application. Check one.

 New project

 Rehabilitation or replacement of existing facility

 Enlargement of existing facility

 Emergency Repair

X Other (describe) Purchase of Water Rights

3. If the project is for rehabilitation of an existing reservoir, is the reservoir currently under a storage restriction order from the State Engineer? YES NO X

4. General location of the project. (Please include county, and approximate distance and direction from nearest town, as well as legal description, if known.)

5. Please provide a brief narrative description of the proposed project including purpose, need, facilities, type of water uses to be served and service area. Attach separate sheet, if needed.

See attached sheet

6. Will the acquisition of additional water rights be necessary? YES NO X

If YES, please explain.

CWCB Water Project Loan Application

7. Please list the names, addresses and phone numbers of the Applicants' engineer(s) and attorney(s).

NAME

ADDRESS and PHONE

Dan Brown (legal) Fischer, Brown, Bartlett & Gunn, P O Box Q, Fort Collins, CO 80522
(970) 407-9000 x212

Jared Dains (engineering) Applegate Group, 1499 W 120th Ave, Ste 200, Denver, CO
80234 (303) 452-6611

8. List any feasibility studies or other investigations that have been completed or are now in progress for the proposed project. If so, submit one copy of the study with this application

See attached sheet

9. Estimated cost of the project. Please include estimated engineering costs, and estimated construction costs, if known.

Estimated Engineering Costs:\$ \$ 0.00

Estimated Construction Costs: \$ 0.00

Estimated Other Costs: \$ \$500,000.00 (land, water rights purchase,etc.)

Estimated Total Costs: \$ \$500,000.00

10. Loan amount and terms you are requesting.

Requested Loan Amount: \$450,000.00 (Usually 90 % of est. Total Costs)

Term (length) of loan: 30 years (Usually 10, 20, or 30 years)

Interest Rate: TBD % (Please call for our current rates)

Part C. - Project Sponsor Financial Information

Because the CWCB's Fund is a revolving fund, it is important that the project sponsor have the financial capacity to repay any loans made by the CWCB. The following information is needed to assist the CWCB in a preliminary assessment of the applicant's financial capacity. The project sponsor will submit the three most recent annual financial statements.

1. List any existing long-term liability (multi-year) or indebtedness that exceeds one thousand dollars. For example, bank loans, government agency loans, bond issues, accounts payable, etc. Include names and addresses of lenders, amounts, due dates and maturity dates.

CWCB Water Project Loan Application

<u>Lender Name & Address</u>	<u>Remaining Amount</u>	<u>Annual Payment</u>	<u>Maturity Date</u>
CWCB Loan Contract C150245	\$3,310,912.17	\$170,104.31	2041
CWCB Loan Contract CT2015-171	\$1,163,015.00	\$50,160.55	2045

2. Are any of the above liabilities now in default, or been in default at any time in the past?
YES ____ NO X. If YES, please give detailed explanation.

3. Please provide a brief narrative description of sources of funding, in addition to the CWCB, which have been explored for this project (Examples would be Banks, USDA Rural Development, NRCS, Colorado Water Resources and Power Development Authority, Colorado Division of Local Government, etc.).

4. What collateral will you be offering for this loan? Possibilities include a pledge of revenues, the project itself, real estate, water rights. See attached sheet.

Pledge of revenues, two shares Boxelder Ditch

The above statements are true, to the best of my knowledge:

Signature of Applicant



Printed Name: Michael Hungenberg

Title President

Date 7-30-2015

Lower Poudre Augmentation Company
Loan Application Attachment

The Lower Poudre Augmentation Company (LPAC) is a company formed as non-profit corporation to provide augmentation for 62 irrigation wells. The LPAC is owned by the New Cache La Poudre Irrigating Company (2/3) and the Cache La Poudre Reservoir Company (1/3). There are 28 well owners. The wells provide irrigation water to about 4000 acres of land.

The LPAC owns the Harmony 25 Reservoir (current CWCB loan for this project #C150245) and 4.5 shares of the Boxelder Ditch. LPAC also owns 34.5 shares of the New Cache La Poudre Irrigating Company and 4.0 shares of the Cache La Poudre Reservoir Company (current CWCB Loan CT2015-171). The other facilities of the company are recharge ponds where the company has an easement for the pond. The facilities are in excellent condition and there are no operational or maintenance issues.

The well owners are assessed annually according to three criteria. Each owner is assessed based on the number of irrigation wells, decreed capacity of their wells and the post pumping depletions obligation associated with the well. The well owners pledge revenues to cover the costs of the loan repayment.

The LPAC has a decreed augmentation plan (04CW025/06/CW295). The shares to be purchased (2.0 shares of the Boxelder Ditch) will provide additional supply for the plan. A change of use application will be filed with the Water Court to allow for use in the augmentation plan.

The shares of stock will be purchased by the New Cache La Poudre Irrigating Company on August 21, 2015. This is necessary due to the timing of the sale and the subsequent process to obtain a loan from the CWCB. LPAC will be purchasing the shares from the New Cache La Poudre Irrigating Company once the loan is obtained. The shares will be provided as collateral for the loan.