

# Water Marketing Transaction Types

WATER TRANSACTION TYPE	DESCRIPTION	BENEFITS	CHALLENGES
<u><b>Sales</b></u>	The permanent transfer of a water entitlement	<ol style="list-style-type: none"> <li>1. Provides certainty</li> <li>2. Reduces future cost risk</li> <li>3. Provides seller finality / clean exit</li> </ol>	<ol style="list-style-type: none"> <li>1. Higher upfront cost</li> <li>2. More regulatory scrutiny on transfer</li> <li>3. Finding willing sellers</li> </ol>
<u><b>One-Year Lease (Rental)</b></u>	The temporary transfer of a water entitlement for a one-year period with notifying the deal & transferring the water typically completed in same year	<ol style="list-style-type: none"> <li>1. Inexpensive due to reliance on annual surplus</li> <li>2. Relatively low regulatory costs and short approval timeline</li> <li>3. Sets precedence &amp; relationship for future leases</li> </ol>	<ol style="list-style-type: none"> <li>1. Unreliable due to reliance on annual surplus supply</li> <li>2. Provides supply for single year</li> </ol>
<u><b>Multi-Year Lease</b></u>	The temporary transfer of a water entitlement for 2 or more years, with 2 to 20 years as typical terms	<ol style="list-style-type: none"> <li>1. Relatively low cost way to secure multiple years of supply</li> <li>2. Relatively low regulatory costs and short approval timeline</li> <li>3. Possible to match water need timeline with supply</li> <li>4. Provides ability to secure reliable supply over term of lease</li> </ol>	<ol style="list-style-type: none"> <li>1. Negotiation of pricing and escalation terms</li> <li>2. Finding willing partners over multiple years</li> <li>3. Commits funding for term of lease</li> </ol>
<u><b>Purchase Option Agreement</b></u>	A contract to provide a buyer with the ability to purchase a water entitlement at a defined price guaranteed for a set period of time	<ol style="list-style-type: none"> <li>1. Secures ability to access water supply at fraction of acquisition cost</li> <li>2. Aligns buyer cost to level of risk / uncertainty</li> </ol>	<ol style="list-style-type: none"> <li>1. Finding willing sellers</li> <li>2. Negotiation of option price</li> <li>3. Risk of lost cost of securing option</li> </ol>
<u><b>Exchange</b></u>	The transfer (temporary or permanent) of different water supplies between parties with each party providing a supply and receiving a supply	<ol style="list-style-type: none"> <li>1. Leverages use of surplus water holdings</li> <li>2. Establishes working relationships and flexibility</li> </ol>	<ol style="list-style-type: none"> <li>1. Requires a surplus supply</li> <li>2. Difficult to analyze costs and benefits</li> <li>3. Finding willing partners</li> </ol>

# SALES

## The permanent transfer of a water entitlement

<b>Water Supply</b>	<b>Typical Sources</b>	Privately-held water right	Irrigation company share	Contract in regional water project	Contract in storage reservoir	Credits resulting from aquifer recharge (where applicable)
	<b>Typical Sellers</b>	Agricultural producers, land developers				Regional water district
<b>Water Demand</b>	<b>Typical New Water Uses</b>	Municipal water service, Industrial water use				
	<b>Typical Buyers</b>	Cities, towns, municipal water districts, land developers				
<b>Regulatory Considerations</b>	<b>Requirements</b>	Want evidence of historic use to justify value and validity of water right, if changing any parameter of a water right, a WRi change application must be filled	Must comply with irrigation company articles and bylaws; If seeking to use the water outside the company service area will need company approval and shareholder change application	New use consistent with terms of project and type of contract water available. Need approval by project governing body.		Record transfer with local management agency
	<b>Timeline</b>	6-9 months		30-60 days		
	<b>Transaction Costs</b>	High		Low		
<b>Contract Structure</b>	<b>Conveyance Document</b>	Deed recorded with county. Record of conveyance or deed addendum recorded with WRi	Assignment of shares and transfer in accordance with company articles and bylaws	Contract reassigned or reissued according to governing body procedures		Ownership conveyed as part of regulatory approvals
	<b>Timeline</b>	60-90 days + Regulatory Timeline	30-60 days + Regulatory Timeline	30-60 days		
<b>Considerations</b>	<b>Limitations</b>	Specific to water right	Bound by limitations of company articles and bylaws	New uses limited to scope of project boundaries and available developed water supply		Credit transfers limited to aquifer boundary
	<b>Benefits</b>	<ol style="list-style-type: none"> <li>1. Provides certainty</li> <li>2. Reduces future cost risk</li> <li>3. Provides seller finality / clean exit</li> </ol>				
	<b>Challenges</b>	<ol style="list-style-type: none"> <li>1. Higher upfront cost</li> <li>2. More regulatory scrutiny on transfer</li> <li>3. Finding willing sellers</li> </ol>				

## ONE-YEAR LEASE (RENTAL)

The temporary transfer of a water entitlement for a one-year period with negotiating the deal and transferring the water typically completed in same year

<b>Water Supply</b>	<b>Typical Sources</b>	Privately-held water right	Ditch company share	Allocation in regional water project	Supply in storage reservoir	Municipal effluent (where applicable)
	<b>Typical Sellers</b>	Agricultural producers		Municipal water utility, water district, irrigation organization		Municipal water utility
<b>Water Demand</b>	<b>Typical New Water Uses</b>	Irrigation, temporary industrial uses				
	<b>Typical Buyers</b>	Cities, towns, municipal water districts, land developers				
<b>Regulatory Considerations</b>	<b>Requirements</b>	WRi temporary change application if new use changes any parameter of the water right		Project board approval	Typically none	
	<b>Timeline</b>	30-60 days			Minimal	
	<b>Transaction Costs</b>	Low				
<b>Contract Structure</b>	<b>Conveyance Document</b>	Lease or rental agreement				
	<b>Timeline</b>	30 days (+/-)				
<b>Considerations</b>	<b>Limitations</b>	Specific to water right	Bound by limitations of company articles and bylaws	New uses limited to scope of project boundaries and available developed water supply		New uses limited to downstream of effluent outfall
	<b>Benefits</b>	<ol style="list-style-type: none"> <li>1. Inexpensive due to reliance on annual surplus</li> <li>2. Relatively low regulatory costs and short approval timeline</li> <li>3. Sets precedence &amp; relationship for future leases</li> </ol>				
	<b>Challenges</b>	<ol style="list-style-type: none"> <li>1. Unreliable due to reliance on annual surplus supply</li> <li>2. Provides supply for single year</li> </ol>				

# MULTI-YEAR LEASE

The temporary transfer of a water entitlement for 2 or more years, with 2 to 20 years as typical terms

<b>Water Supply</b>	<b>Typical Sources</b>	Privately-held water right	Ditch company share	Allocation in regional water project	Supply in storage reservoir	Municipal effluent
	<b>Typical Sellers</b>	Municipal water utility, water district, industrial company				Municipal water utility
<b>Water Demand</b>	<b>Typical New Water Uses</b>	Temporary industrial uses, environmental uses, groundwater offsets, municipal bridge supplies				
	<b>Typical Buyers</b>	Various buyers				
<b>Regulatory Considerations</b>	<b>Requirements</b>	WRi fixed time change application if new use is outside of water right terms		Project board approval	Typically none	
	<b>Timeline</b>	3-6 months		30-60 days	Minimal	
	<b>Transaction Costs</b>	Medium				
<b>Contract Structure</b>	<b>Conveyance Document</b>	Lease or rental agreement				
	<b>Timeline</b>	60-90 days				
<b>Considerations</b>	<b>Limitations</b>	Specific to water right	Bound by limitations of company articles and bylaws	New uses limited to scope of project boundaries and available developed water supply		New uses limited to downstream of effluent outfall
	<b>Benefits</b>	<ol style="list-style-type: none"> <li>1. Relatively low cost way to secure multiple years of supply</li> <li>2. Relatively low regulatory costs and short approval timeline</li> <li>3. Possible to match water need timeline with supply</li> <li>4. Provides ability to secure reliable supply over term of lease</li> </ol>				
	<b>Challenges</b>	<ol style="list-style-type: none"> <li>1. Negotiation of pricing and escalation terms</li> <li>2. Finding willing partners over multiple years</li> <li>3. Commits funding for term of lease</li> </ol>				

# PURCHASE OPTION AGREEMENT

A contract to provide a buyer with the ability to purchase a water entitlement at a defined price guaranteed for a set period of time.  
Irrigation company share

<b>Water Supply</b>	<b>Typical Sources</b>	Privately-held water right	Irrigation company share	Contract in regional water project	Contract in storage reservoir	Credits resulting from aquifer recharge (where applicable)
	<b>Typical Sellers</b>	Irrigated farm				
<b>Water Demand</b>	<b>Typical New Water Uses</b>	Municipal water service, Industrial water use				
	<b>Typical Buyers</b>	Various buyers				
<b>Regulatory Considerations</b>	<b>Requirements</b>	Want evidence of historic use to justify value and validity of water right, if changing any parameter of a water right, a WRi change application must be filled	Must comply with irrigation company articles and bylaws; If seeking to use the water outside the company service area will need company approval and shareholder change application	New use consistent with terms of project and type of contract water available. Need approval by project governing body.		Record transfer with local management agency
	<b>Timeline</b>	6-9 months		30-60 days		
	<b>Transaction Costs</b>	High		Low		
<b>Contract Structure</b>	<b>Conveyance Document</b>	Contract agreement				
	<b>Timeline</b>	60-90 days				
<b>Considerations</b>	<b>Limitations</b>	Specific to water entitlements involved in exchange				
	<b>Benefits</b>	1. Secures ability to access water supply at fraction of acquisition cost 2. Aligns buyer cost to level of risk / uncertainty				
	<b>Challenges</b>	1. Finding willing sellers 2. Negotiation of option price 3. Risk of lost cost of securing option				

# LEASE OPTION AGREEMENT

A contract over a set period of time providing the annual option to lease / transfer water supply under predefined conditions triggering the lease, such as a buyer or seller call or water supply conditions

<b>Water Supply</b>	<b>Typical Sources</b>	Privately-held water right	Ditch company share	Allocation in regional water project	Supply in storage reservoir	Municipal effluent (where applicable)
	<b>Typical Sellers</b>	Municipal water utility, water district, or irrigation organization				
<b>Water Demand</b>	<b>Typical New Water Uses</b>	Temporary industrial uses, environmental uses, groundwater offsets, municipal bridge supplies				
	<b>Typical Buyers</b>	Cities, towns, municipal water districts, land developers				
<b>Regulatory Considerations</b>	<b>Requirements</b>	WRi temporary change application if new use changes any parameter of the water right	Project board approval	Typically none		
	<b>Timeline</b>	30-60 days			Minimal	
	<b>Transaction Costs</b>	Low				
<b>Contract Structure</b>	<b>Conveyance Document</b>	Contract agreement				
	<b>Timeline</b>	60-90 days				
<b>Considerations</b>	<b>Limitations</b>	Ability to exercise option has limitations stated above for type of water entitlement				
	<b>Benefits</b>	<ol style="list-style-type: none"> <li>1. Secures ability to access water supply at fraction of acquisition cost</li> <li>2. Aligns buyer cost to level of risk / uncertainty</li> </ol>				
	<b>Challenges</b>	<ol style="list-style-type: none"> <li>1. Requires a surplus supply</li> <li>2. Difficult to analyze costs and benefits</li> <li>3. Finding willing partners</li> </ol>				

# EXCHANGE

The transfer (temporary or permanent) of different water supplies between parties with each party providing a supply and receiving a supply

<b>Water Supply</b>	<b>Typical Sources</b>	Privately-held water right	Irrigation company share	Contract or allocation in regional water project	Contract or supply in storage reservoir	Credits resulting from aquifer recharge	Municipal effluent
	<b>Typical Sellers</b>	Municipal water utility, water district, industrial company, irrigation organization					
<b>Water Demand</b>	<b>Typical New Water Uses</b>	Municipal water utility, water district, industrial company, irrigation organization					
	<b>Typical Buyers</b>	Various buyers					
<b>Regulatory Considerations</b>	<b>Requirements</b>	WRi change application if new use changes any parameter of the water right		New use consistent with terms of project and type of contract water available. Need approval by project governing body.	Record transfer with local management agency	Typically none	
			Must comply with irrigation company articles and bylaws; project board approval for company shares				
	<b>Timeline</b>	6-9 months if permanent			30-60 days if permanent		
		30-60 days if temporary				Minimal	
<b>Transaction Costs</b>	High if permanent Low if temporary			Low			
<b>Contract Structure</b>	<b>Conveyance Document</b>	Contract Agreement					
	<b>Timeline</b>	3-6 months					
<b>Considerations</b>	<b>Limitations</b>	Specific to water entitlements involved in exchange					
	<b>Benefits</b>	<ol style="list-style-type: none"> <li>1. Leverages use of surplus water holdings</li> <li>2. Establishes working relationships and flexibility</li> </ol>					
	<b>Challenges</b>	<ol style="list-style-type: none"> <li>1. Requires a surplus supply</li> <li>2. Difficult to analyze costs and benefits</li> <li>3. Finding willing partners</li> </ol>					