

Questions and Answers for Carpenter Ranch Ag Lease pre-proposal

Conservation

1. WHAT ARE THE GOALS FOR TNC'S CARPENTER RANCH?

The Nature Conservancy has both conservation and programmatic goals for the agricultural operations at Carpenter Ranch.

i. Programmatic:

- Be relevant to the regional agricultural community by providing an opportunity for a local producer to utilize the Carpenter Ranch for agricultural production. Allow for ongoing sustainable agricultural practices (livestock and high-quality hay production) while conserving the natural attributes of existing wetlands, riparian corridors, river process and function, and naturally occurring wildlife populations.
- Support scientific research, innovative practices, and tools that have the potential to improve management of agricultural resources and riparian areas along the Yampa: Support and participate in research projects that address critical gaps in our knowledge regarding the integration of agricultural uses, water systems, riparian ecology, and biodiversity.
- Carpenter Ranch will be a leader for TNC in identifying and using best practices for agricultural, water, and conservation impact.
- Support TNC's outreach goals: Manage the ranch in a way that honors community pride, that supports the local economy and culture, and that helps build partnerships within the watershed for the conservation of the Yampa River. Preserve historic values and renovate historic structures on the ranch to help accomplish this objective.
- Support educational, training, and engagement opportunities for the local community and partner organizations.
- Maintain or enhance the condition of existing improvements and infrastructure.

ii. Conservation: Maintain the long-term viability of the diverse mosaic of riparian communities on the ranch by:

- Ensuring natural river channel migration rates through restoration of native vegetation on deforested streambanks
- Allowing deposition of sediment to occur in abandoned stream channels resulting in the establishment of riparian vegetation; and

- Restoring the vegetation structure and species composition of degraded riparian communities.

2. ARE THERE ANY RESTRICTIONS ASSOCIATED WITH GRAZING THE RIPARIAN AREAS? ANY OTHER GRAZING OR HAYING RESTRICTIONS?

The riparian corridor is fenced and is not available for agricultural use. TNC may reserve portions of the ranch for wildlife use or other conservation purposes. Any specific reservations will be made through a planning process in which the lessee will be involved and expected economic impacts will be compensated. Carpenter Ranch is home to the largest nesting colony of bobolinks in Western Colorado. Bobolinks nest in the hay fields, and TNC asks that haying be deferred until July 4th or bobolinks have fledged.

3. WHAT MONITORING PROTOCOLS HAVE BEEN USED ON THE RANCH OR ARE PREFERRED BY TNC. ARE THERE ANY SPECIFIC MONITORING REQUIREMENTS? IS THE LESSEE, TNC OR 3RD PARTY RESPONSIBLE FOR MONITORING?

Water use reporting is the responsibility of the lessee. TNC staff monitor weeds and the water infrastructure annually. TNC and the lessee may undertake other monitoring over time if deemed beneficial to management or planning on the ranch.

4. IS THERE ANY OTHER TARGET SPECIES ON THE RANCH THAT WOULD DRIVE AND INFLUENCE WILDLIFE HABITAT AND LAND MANAGEMENT GOALS?

Some of the focal species and ecological communities for conservation in the Upper Yampa River include northern leopard frog, sandhill crane, greater sage grouse, sharp-tailed grouse, riparian plant communities and native fish. Elk use the ranch throughout the year and reach their highest density in the fall when avoiding hunting pressure in the higher country. Elk presence on the ranch influences the location of hay storage away from Highway 40.

5. WHAT ARE TNC'S RESEARCH INTERESTS FOR CARPENTER RANCH?

Research projects considered may include any scope that supports the programmatic and conservation goals on the ranch and Upper Yampa watershed. These may include irrigation efficiency and water infrastructure; optimizing water use for agriculture; and "climate smart agriculture".

Infrastructure

6. WHAT ARE TNC/LESSEE RESPONSIBILITIES FOR INFRASTRUCTURE/ASSET MAINTENANCE AND IMPROVEMENTS? FOR EXAMPLE: ROAD MAINTENANCE, BUILDING MAINTENANCE OTHER THAN NEEDED FOR LIVESTOCK.

- Maintenance: The lessee is responsible for repairing ordinary wear and tear on all existing agriculture infrastructure and working with TNC to plan for the management of major repairs. Lessee is responsible for upkeep of livestock sheds, corrals, irrigation ditches and infrastructure, culverts, fencing, gates, and hay sheds. All agriculture buildings are to be kept in good working order. Major construction work will be done by TNC.

- ii. Improvements: The lessee will be responsible for maintaining and repairing agricultural improvements (fencing, gates, ditches, water irrigation infrastructure, buildings used by the lessee, and other infrastructure) on the ranch. The lessee will communicate and plan large infrastructure improvements with TNC. TNC will own all improvements made to the ranch during the lease term.

7. WHAT IS THE CURRENT STRUCTURE FOR DEALING WITH IRRIGATION INFRASTRUCTURE COSTS, MAINTENANCE COSTS AND WATER USE FEES? IS THE CURRENT OR PREVIOUS COST STRUCTURE OPEN FOR DISCUSSION?

The current structure for dealing with costs associated with irrigation is that TNC purchases materials and the lessee provides labor. If a larger project is needed and agreed upon, then TNC will cover and manage the contract for the work to be completed. For example, TNC had 200 feet of ditch liner installed by a local contractor, and TNC paid for both the liner and the contractor.

The lessee is responsible for electric utility costs for pumps (gated pipe and pivots) and irrigation ditch maintenance, such as repairing locations where cattle have tracked down ditch banks, removal of beaver dams and clearing check structures. Any changes to the maintenance cost structure can be discussed during lease negotiations.

8. ARE THERE CORRALS ON THE RANCH, AND IF SO, ARE THERE ANY CURRENT TERMS OF USE OR MAINTENANCE?

A Temple Grandin-designed set of working corrals with squeeze chute and livestock sheds is available for use by the lessee. They are in good working order, available for use and are expected to be maintained by the lessee.

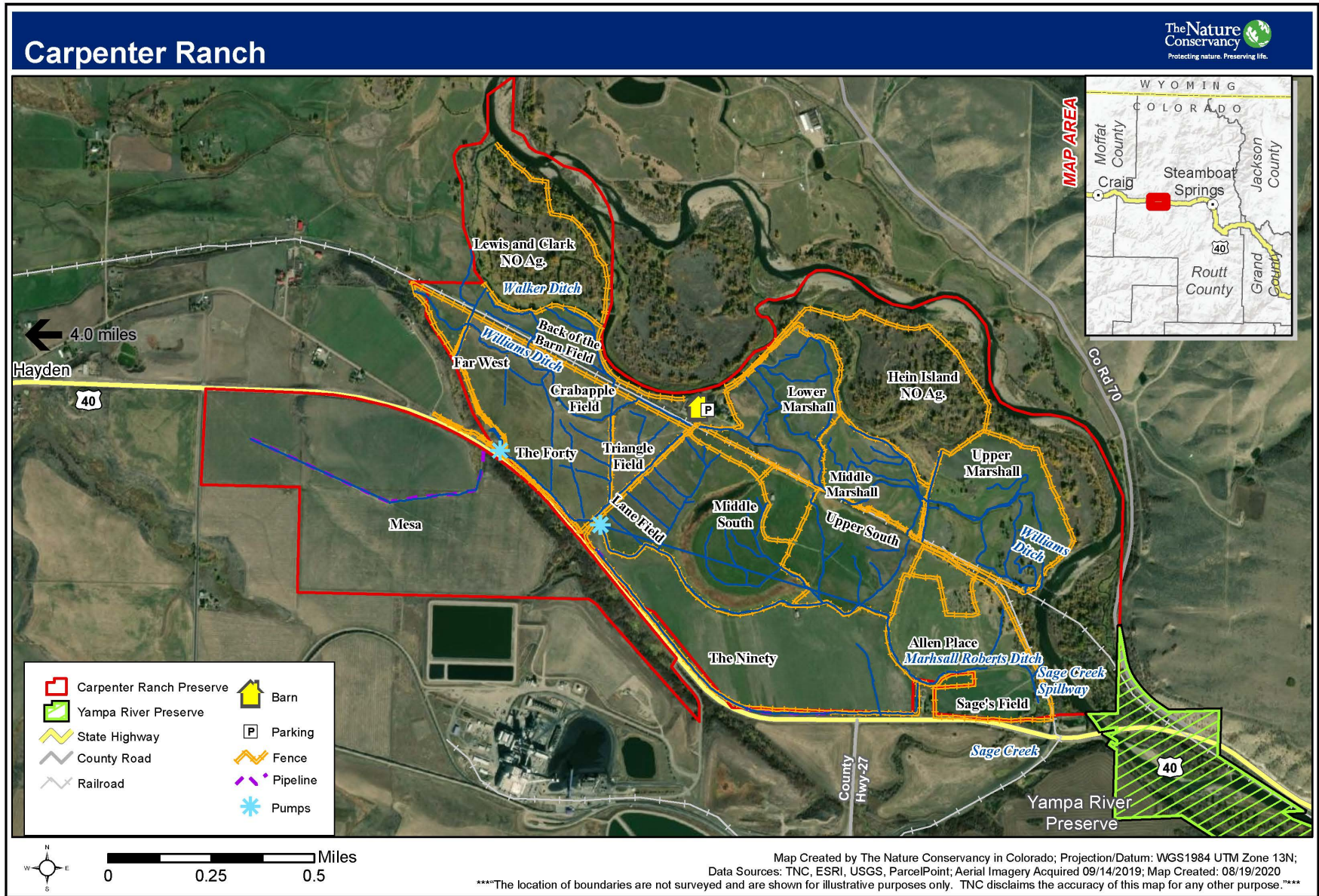
9. IF A SEASONAL GRAZING OPERATION WERE TO EXIST ON THE RANCH WHICH OPERATED FROM MAY TO NOVEMBER, WOULD TNC BE OPEN TO OR ABLE TO FUND AND/OR ALLOW A PERMANENT WILDLIFE FRIENDLY ELECTRIC FENCE INFRASTRUCTURE?

The ranch has fencing separating pastures and hay meadows. Working within current fencing would be preferred. If the lessee would like to utilize temporary fencing, then it would be up to the lessee to supply and manage. If additional fencing is required for research or other long-term purposes, TNC will cover the costs.

10. ARE THERE ANY HOUSING OPTIONS FOR THE LESSEE, EITHER TEMPORARY OR PERMANENT?

There is no housing available on site at the Carpenter Ranch for use by the lessee. In the past, TNC has allowed short-term housing, if available, for calving season only (April – May). Negotiations for temporary housing during critical times of the year may be discussed with the selected lessee.

11. MAP OF THE PROPERTY SHOWING THE BOUNDARY, EXISTING FENCES, IRRIGATION INFRASTRUCTURE AND FENCES



Financial

12. WHAT IS THE LENGTH OF THE LEASE BEING CONSIDERED?

TNC plans that the initial agriculture lease term will be five (5) years, with a possible longer-term extension. TNC is interested in a longer-term renewal if the lessee demonstrates commitment and compatibility in the first 5 years.

13. IF A FINANCIAL GOAL IS A LARGE FACTOR, CAN YOU STATE AT THIS TIME WHAT PERCENT THE LEASE PAYMENT VALUE WILL RANK WHEN PROPOSALS ARE BEING EVALUATED?

The lessee will be selected based on the combination of experience, management approach, and proposed lease payment that represents the best value to TNC. Proposed lease rates should reflect what the proposer would feel comfortable and willing to pay. The final lease rate will be determined in the lease negotiation process.

14. IS THERE A BASE DOLLAR VALUE AT THE MOMENT THAT THE AG LEASE NEEDS TO PROVIDE IN ORDER TO DRIVE FINANCIAL GOALS OR OBJECTIVES FOR THE PROPERTY?

No, there is no base dollar value that the ag lease needs to provide. We are looking for the best value for TNC given a range of factors.

15. WILL TNC ACCEPT PARTNERSHIP PROPOSALS?

Partnerships are acceptable and encouraged. The lessee may not sublet the ranch or assign the lease without obtaining TNC's consent.

Operations

16. WHAT HAS BEEN THE HISTORICAL STOCKING RATE AND USE OF THE RANCH FOR GRAZING?

Historically the ranch has been run with between 130 – 150 pairs, with a 6-month grazing season (1 - 1.15 acres per AUM). Previous lessees have run a year-round cow-calf operation on the ranch. At times since TNC acquired the property, some stockers have also been run in addition to a cow-calf herd.

17. ON AVERAGE, HOW MANY TONS OF HAY/ACRE ARE TYPICALLY PRODUCED? IS THERE A SET NUMBER OF AUM'S ASSOCIATED WITH THE RANCH OR IS THAT TO BE DETERMINED BY GROWING CONDITIONS AND MANAGEMENT DECISIONS? WHAT TNC PARTNERS WOULD BE REQUIRED OR INVOLVED IN THE DECISION-MAKING PROCESS OF GRAZING PLANS AND STOCKING RATES?

Historically hay production has ranged from 400 tons to 1025 tons per year, while holding a stocking rate between 130 – 150 cows. In the last 5 years, hay production has been on the lower end (400-700 tons) as a result of drought and lessee decisions related to fertilizer and irrigation inputs. The existing Grazing Management Plan for the Carpenter Ranch sets the maximum limit at 162.5 animal units on the property in any given month. The grazing season on the ranch is generally 6 months, for a total of 975 AUMs per year. Significant changes to stocking rates and

management/grazing plans during the duration of the lease need to be agreed on by the lessee and TNC before implementation. TNC expects the lessee to manage stocking rates and make grazing management decisions to reflect growing conditions and to promote ranch ecological goals.

18. HOW MANY ACRES HAVE BEEN DEVOTED ANNUALLY TO HAY PRODUCTION AND LIVESTOCK GRAZING?

Hay production = 567 acres with irrigated and non-irrigated.
Pastures for grazing = 168 acres

Production and irrigation details for Carpenter Ranch pastures and hay fields are provided in the table below.

Pasture/Hay Field Name	Approximate acreage	Traditional Use	Irrigation Type
Mesa	175	Hay	Sprinkler/pump
Allen	34	Hay/Pasture	Flood
Upper South	48	Hay/Pasture	Flood
Middle South	62	Hay/Pasture	Flood
Lane	50	Hay/Pasture	Flood
Ninety	92	Hay/Pasture	Flood
Triangle	20	Hay/Pasture	Flood
Forty	33	Hay/Pasture	Flood
Crabapple	21	Pasture	Flood
Far west	32	Hay/Pasture	Flood
Back of Barn	19	Pasture	Flood
Bull	20	Pasture	Flood
Lower Marshall	34	Pasture	Flood
Middle Marshall	27	Pasture	Flood
Upper Marshall	58	Pasture	Flood
Horse Pasture (x2)	5	Pasture	Flood

19. WHAT WATER RIGHTS ARE ASSOCIATED WITH THE RANCH AND WHAT ARE THE CHANCES OF LOSING THAT WATER IF THE RIVER IS PUT UNDER ADMINISTRATION AND CALLED OUT.

Carpenter Ranch is irrigated using flood, gated pipe, and sprinkler irrigation. Irrigation water is supplied by two separate diversions, the Marshall-Roberts and the Williams Ditch. The Marshall-Roberts ditch can supply 20.89 cfs for irrigation. The Williams Ditch is currently having difficulty providing the ~20 cfs needed for irrigators, with 1.5 cfs for use on Carpenter Ranch. Remedies to and restoration of these diversions are planned for the near future.

Electric (surface water) pumps are used on Carpenter Ranch to irrigate upland areas. A 100 horsepower pump supplies water to two pivot sprinkler systems on the Mesa hay fields (122 acres) and two 7.5 horsepower pumps supply water for flood irrigation for the Ninety hay field. Due to the seniority of Carpenter Ranch and Morgan Bottom water rights, we anticipate working with other local water users, the District Engineer and Water Commissioners on a plan to practicably maintain irrigation given a call on the Yampa River. Late season irrigation in dry years

is challenging without considerable gravel push-up dam development. TNC will work with the lessee and other local water users to minimize these impacts to the river and aquatic ecosystems.

Other questions

20. WHAT WOULD BE THE BIGGEST WIN THAT TNC COULD HAVE BY OWNING THE RANCH AND HOW MIGHT WE BE A PART OF HELPING TO ACCOMPLISH THAT WIN?

TNC is looking to develop and demonstrate collaborative conservation projects that are relevant in the Yampa Valley to benefit agricultural producers and conservation values. An ideal partner would co-create shared goals for agriculture production, research and conservation on the Carpenter Ranch, and willingly share knowledge and lessons learned with TNC and other producers. TNC aims to identify and support research on conservation compatible practices that have the potential to be adopted at scale.

21. WHAT CHALLENGES HAS THE TNC EXPERIENCED WITH THE RANCH OR IN ACHIEVING GOALS?

TNC is looking to evolve our approach to agriculture leases and is explicitly seeking a lessee that is looking to partner in meeting shared conservation and operational goals for the ranch. For example, Carpenter is a historic ranch with infrastructure that was developed over the past 100 years. As such, the condition is reflective of when it was installed and requires ongoing management. TNC is looking to work with lessees going forward to monitor, repair, and improve the infrastructure to optimize the operation of the ranch to meet shared goals.

22. IF A 6 TO 8 MONTH GRAZING SEASON OPERATION WERE PUT IN PLACE ON THE RANCH, AND NO LIVESTOCK WERE PRESENT IN WINTER, WOULD AN EMPLOYEE OF THE LESSEE BE REQUIRED BY TNC TO PERFORM ANY DUTIES ON THE RANCH IN WINTER?

To consider a grazing-only operation, TNC would need to understand how the proposer plans to effectively and efficiently use the water rights for the property. In general, if no cows are present on the ranch in the winter, no day-to-day duties are required. The lessee may be asked to participate in ranch planning meetings or called upon for consultation for unforeseen emergencies on the ranch.

23. IS THERE ALREADY A PREFERRED LESSEE OR LEASE RENEWAL IN THE PIPELINE?

No, TNC is seeking a new lessee and is running a competitive process where all proposals will be considered and reviewed.

24. IS TNC CONSIDERING A HUNTING LEASE AT THIS TIME?

TNC is not seeking a lessee for hunting or other enterprises at this time. Hunting is allowed on the ranch and is managed by TNC.