



DRY UP COVENANT

This Dry Up Covenant (this "Covenant") dated this 16th day of January, 2014 is by and between WESTERN RIVERS CONSERVANCY, an Oregon nonprofit public benefit corporation ("Grantor") and the COLORADO WATER TRUST, a Colorado nonprofit corporation ("Grantee"). The Grantor and Grantee are sometimes collectively referred to herein as the "Parties."

WHEREAS, Grantor is the owner of the property described on Exhibit A attached hereto (the "Property") which was historically irrigated by the water rights described on Exhibit B attached hereto (the "Water Rights");

WHEREAS, Grantor has or intends to transfer the Water Rights to Grantee, and Grantee intends to then transfer the Water Rights to the Colorado Water Conservation Board (the "CWCB") for use in the CWCB's Instream Flow Program, with Grantee retaining the right to re-market the historical consumptive use of the Water Rights below the stream reaches for which the CWCB desires to use the Water Rights for instream flow purposes (the "Change to Instream Flow");

WHEREAS, to permit the Change to Instream Flow the consumptive use of the Water Rights on the Property must be permanently discontinued;

WHEREAS, Grantor and Grantee enter into this Covenant for the express purpose of facilitating the Change to Instream Flow by the CWCB, who shall be a third party beneficiary of this Covenant. The Grantee intends, at some future date, to assign some or all of the Grantee's rights and liabilities created herein to the CWCB.

THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Discontinuation of Use. From and after entry of the final court decree approving the Change to Instream Flow (the "Change Decree"), Grantor covenants and agrees that the Water Rights shall not be used for the irrigation of the Property without the express written permission of the Grantee, except as permitted pursuant to Section 4 below.
2. Dry-Up. The Grantee shall have the right to enter upon the Property at reasonable times and upon reasonable notice to perform such inspection, monitoring, testing or other activities to eliminate and confirm the elimination of any consumptive use of water on the Property from the Water Rights and in order to comply with any provisions of the Change Decree, including but not limited to, filling in ditches on the Property, installing and reading piezometers or other devices to monitor ground water levels, and removing any deep rooted vegetation that might otherwise adversely affect the Change to Instream Flow. The right of access provided by Grantor to the Grantee in this paragraph 2 shall be subject to the following conditions: (a) the Grantee shall use its best efforts to minimize any interference with the use of



the Property by the Property owner except as reasonably required to exercise the Grantee's rights hereunder; (b) the Grantee shall at all times comply with all applicable laws and ordinances and shall hold the Property owner harmless from any and all liability and liens on account of the Grantee's activities; (c) the Grantee shall not engage in activities that cause any permanent harm or damage (other than permanent dry up caused by the cessation of irrigation by the Water Rights) to the Property or to the Property owner's easements or personal property except as reasonably required to exercise the Grantee's rights hereunder; and (d) the Grantee shall leave the Property and the Property owner's easements and personal property in the same condition as they were in prior to any activities of the Grantee except as reasonably required to exercise the Grantee's rights hereunder.

3. Revegetation. If required by the Change Decree, Grantee, in coordination and cooperation with Grantor, shall, at Grantee's expense, re-vegetate the Property with grasses or other shallow-rooted crops in such manner that the beneficial use of the Water Rights may be fully changed to instream flow use without material injury to the vested rights of others, but Grantor agrees to thereafter maintain such plantings.

4. Revegetation Use. If approved in writing by the Grantee, all or part of the Water Rights may be used to help establish the re-vegetation required under Section 3 above, but such use shall immediately discontinued upon the written request of the Grantee.

5. Use of water on the Property other than the Water Rights. Notwithstanding anything to the contrary contained in this Agreement, nothing herein shall prevent Grantor, its successors, or assigns from using different water rights to supply water to the Property for irrigation or other purposes, provided that such water use is approved by the Water Court and/or Colorado Division of Water Resources and does not impair use of the Water Rights for instream flow purposes.

6. Binding Effect. This Covenant shall be recorded in the real property records of Gunnison County, Colorado and Montrose County, Colorado. The Covenant shall burden, attach to and run with the Property, and shall be binding not only upon the original Grantor but upon Grantor's successors and assigns and any other persons or entities which may acquire any interest in all or any portion of the Property. The Covenant shall benefit, attach to and run with the Water Rights, and shall benefit not only the original Grantee, but also Grantee's successors and assigns.

7. Enforcement. This Covenant may be enforced by Grantor, the owner of the property, or Grantee by an action for specific performance, damages, and/or injunction. In addition, in any action brought to enforce the terms of this Covenant, the prevailing party shall have the right to collect from the other party costs and expenses of litigation, including reasonable attorneys' fees.

8. Waiver. Failure of either party at any time to require performance of any provision of this Covenant shall not limit such party's right to enforce such provision, nor shall any waiver of any breach of any provision of this Covenant constitute a waiver of any succeeding breach of such provision or a waiver of such provision itself.



Executed as of the date first set forth above.

WESTERN RIVERS CONSERVANCY

By: Sue Doroff

Name: SUE DOROFF

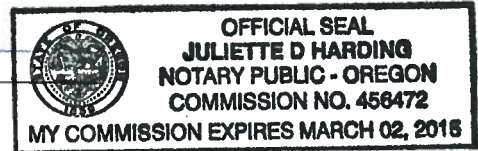
Title: PRESIDENT

STATE OF OREGON)
) ss.
COUNTY OF MULTINOMAH)

The foregoing instrument was acknowledged before me this 6th day of January, 2014,
by Sue Doroff, as President of Western Rivers
Conservancy, an Oregon nonprofit public benefit corporation.

Witness my hand and official seal.

[Signature]
Notary Public



My commission expires: March 02, 2015



COLORADO WATER TRUST

By: Amy W Beatie
Name: Amy W. Beatie
Title: Executive Dir.

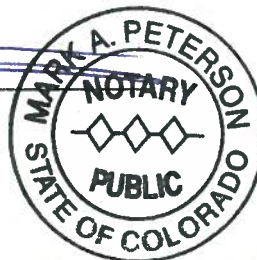
STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 6 day of Jan,
2014, by Amy Beatie, as Executive Dir of the Colorado
Water Trust, a Colorado nonprofit corporation.

Witness my hand and official seal.

Mark A. Peterson
Notary Public

My commission expires: 03/20/2016



My Commission Expires 03/20/2016



**EXHIBIT A
LEGAL DESCRIPTION OF REAL PROPERTY**

THE FOLLOWING DESCRIBED PROPERTY LOCATED IN THE COUNTY OF GUNNISON, STATE OF COLORADO:

PARCEL A-1:

TOWNSHIP 48 NORTH, RANGE 6 WEST, NEW MEXICO PRINCIPAL MERIDIAN:

SECTION 26: THE NW1/4 SW1/4 EXCEPT THAT PORTION THEREOF LYING WESTERLY OF THE CENTERLINE OF THE COUNTY ROAD DESCRIBED IN DEED TO DON E. GORDON AND DETRA GORDON, RECORDED SEPTEMBER 16, 1981 IN BOOK 705 AT PAGE 876 OF THE RECORDS OF THE COUNTY CLERK AND RECORDER OF MONTROSE COUNTY, COLORADO AND AS SHOWN ON SHEPARDSON PLAT OF SURVEY RECORDED DECEMBER 1, 2009 UNDER RECEPTION NO. 588302.

PARCEL B-1:

TOWNSHIP 48 NORTH, RANGE 6 WEST, NEW MEXICO PRINCIPAL MERIDIAN:

SECTION 26: E1/2 SW1/4, SW1/4 SE1/4, AND ALL THAT PORTION OF THE SW1/4 SW1/4 LYING EAST OF THE COUNTY ROAD,

EXCEPTING FROM SAID PORTION A STRIP OF LAND 30 FEET IN WIDTH RUNNING ALONG THE NORTH LINE OF SAID PORTION OF THE SW1/4 SW1/4 AS RESERVED IN A WARRANTY DEED RECORDED IN BOOK 146 AT PAGE 240 OF THE MONTROSE COUNTY RECORDS.

SECTION 35: NW1/4 NE1/4, AND ALL THAT PORTION OF THE NW1/4 NW1/4 LYING EAST OF THE COUNTY ROAD.

NOTE: A PORTION OF PARCEL B-1 NOW BEING A PORTION OF SHEPARDSON EXEMPTION AS SHOWN BY PLAT RECORDED NOVEMBER 25, 2008 UNDER RECEPTION NO. 587790.

EXCEPTING THEREFROM ANY PORTION AS DESCRIBED IN PARCELS A-1 AND B-1 HEREIN ABOVE LYING OUTSIDE THE BOUNDARIES OF GUNNISON COUNTY.

THE FOLLOWING DESCRIBED PROPERTY LOCATED IN THE COUNTY OF MONTROSE, STATE OF COLORADO:

PARCEL A-2:

NW1/4 SW1/4 LYING EAST OF THE COUNTY ROAD, SECTION 26, TOWNSHIP 48 NORTH, RANGE 6 WEST, NEW MEXICO PRINCIPAL MERIDIAN, EXCEPT THAT PORTION OF LITTLE CIMARRON & T85 ROAD GRANTED AND DEDICATED TO THE COUNTY OF MONTROSE AS SHOWN ON PLAT OF SURVEY RECORDED OCTOBER 6, 2008 UNDER RECEPTION NO. 795611 AND AS SHOWN ON SHEPARDSON PLAT OF SURVEY RECORDED JANUARY 5, 2009 UNDER RECEPTION NO. 798154.

PARCEL B-2:

SW1/4 SW1/4 SECTION 26, TOWNSHIP 48 NORTH, RANGE 6 WEST, NEW MEXICO PRINCIPAL MERIDIAN, ALL THAT PORTION LYING EAST OF THE COUNTY ROAD EXCEPTING FROM SAID



PORTION A STRIP OF LAND 30 FEET IN WIDTH RUNNING ALONG THE NORTH LINE OF SAID
PORTION OF SW1/4 SW1/4 AS RESERVED IN BOOK 146 AT PAGE 240 OF THE MONTROSE
COUNTY RECORDS.

PARCEL C-2:

NW1/4 NW1/4 SECTION 35, TOWNSHIP 48 NORTH, RANGE 6 WEST, NEW MEXICO PRINCIPAL
MERIDIAN, ALL THAT PORTION LYING EAST OF THE COUNTY ROAD.

NOTE: PARCEL B-2 AND C-2 ARE NOW A PORTION OF SHEPARDSON EXEMPTION AS SHOWN BY PLAT RECORDED
DECEMBER 22, 2008 UNDER RECEPTION NO. 797823.



EXHIBIT B
WATER RIGHTS

ALL WATER AND WATER RIGHTS, DITCH AND DITCH RIGHTS, AND ANY OTHER WATER OR DITCH COMPANY RIGHTS OR SHARES APPURTENANT TO, USED ON, OR ASSOCIATED WITH THE REAL PROPERTY DESCRIBED ON EXHIBIT A, INCLUDING AT LEAST 1.5 SHARES OF THE MCKINLEY DITCH, AND A CORRESPONDING PERCENTAGE (18.75%) OF THE WATER DECREED TO THE MCKINLEY DITCH IN THE FOLLOWING PRIORITIES AND AMOUNTS AS DESCRIBED IN THE QUITCLAIM DEED EXECUTED ON MAY 17, 2012 AND RECORDED IN THE CLERK AND RECORDERS OFFICE OF GUNNISON COUNTY UNDER RECEPTION NUMBER 613298:

<u>PRIORITY NUMBER</u>	<u>AMOUNT OF WATER</u>
56	12.17 C.F.S.
125	3.125 C.F.S.
128	3.125 C.F.S.
285	12.58 C.F.S.

with all their appurtenances.