

AUGMENTATION AGREEMENT AND COVENANT

THIS AUGMENTATION AGREEMENT AND COVENANT, are made and entered into this 29th day of Nov, 2005, between the Lower Latham Asset Management Company, a Colorado nonprofit corporation, hereinafter the "Company", and Clarence W. & Juanita L. McCauley, hereinafter "Well Owner". Whenever used herein, the singular term "Well Owner" shall mean all owners of the well, individually and collectively.

RECITALS:

WHEREAS, the address of the Well Owner is as follows:

**3065 Aspen Dr
Loveland, CO 80538**

WHEREAS, the Well Owner owns the following well (hereinafter the "Well"):

**WDID: 207451
Well Permit: 11845 R
Case Number in which well was adjudicated: W-3835
Well ID Number, as listed in original adjudication: 1-11845**

WHEREAS, the Well Owner is the owner of the following property (hereinafter "Property") upon which the Well is located and which is irrigated by the Well that is legally described as follows (attach Property description if necessary):

N2NE4 24-5-65 LOT B REC EXEMPT RE-2623 (2.86R)

WHEREAS, the Property is land which is legally and physically served by the Lower Latham Reservoir Company and/or the Lower Latham Ditch Company and is being irrigated with water from either or both of said companies; and

WHEREAS, the Well Owner is the owner of at least one-half (1/2) share of capital stock in either the Lower Latham Reservoir Company and/ or the Lower Latham Ditch Company; and

WHEREAS, the Lower Latham Reservoir Company has filed an application (which term shall include any amendments thereto) in District Court, Water Division 1 ("Water Court"), for the purpose of obtaining a decreed augmentation plan.

WHEREAS, the Company intends to operate the augmentation plan ("Plan"), on behalf of the Lower Latham Reservoir Company, for the purpose of augmenting wells that serve lands irrigated by the Lower Latham Reservoir Company or Lower Latham Ditch Company; and



WHEREAS, the Lower Latham Reservoir Company has obtained for the 2005 irrigation season (and the Lower Latham Reservoir Company and/or the Company intend to continue to obtain each irrigation season until the Plan is decreed in Water Court) approval to operate the Plan as a temporary substitute water supply plan ("SWSP"); and

WHEREAS, the Lower Latham Reservoir Company included the Well owned by Well Owner and used to irrigate the Property in the application for approval for the augmentation plan filed with the Water Court and in the SWSP application(s); and

WHEREAS, Well Owner consents to the inclusion of his Well in the Water Court application and previously filed SWSP applications, and wishes to have the Well continue to be augmented in accordance with the Plan when it is finally decreed, and included in all subsequent substitute water supply plan applications.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations, and warranties contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Warranties and Representations of Well Owner. Well Owner represents and warrants that Well Owner owns the Well and Property and has full legal power, authority and right to enter into this Agreement. Well Owner also represents and warrants that the water pumped from the Well is used to irrigate the Property (or portion(s) thereof), and that the Property is irrigated by surface waters represented by share(s) of stock in either the Lower Latham Reservoir Company or the Lower Latham Ditch Company, and that so long as the Well is to be augmented by the Company in the Plan, capital stock in either the Lower Latham Reservoir Company or the Lower Latham Ditch Company and owned by Well Owner will be dedicated to the irrigation of the Property or the Well may be removed from the Plan. Well Owner also represents and warrants that the Well historically has been used and will continue to be used, so long as the Well is operated pursuant to the Plan, for irrigation purposes.
2. Fees and Assessments. Well Owner understands that for the Well to continue to be part of the Plan, Well Owner must pay all fees and assessments required by the Company, which assessments are separate and part from the assessments paid by Well Owner to the Lower Latham Reservoir Company and/or the Lower Latham Ditch Company. Well Owner further understands and agrees that all costs borne by the Company on behalf of Well Owner individually, to make or keep the Well eligible for inclusion in the Plan, shall be the responsibility of Well Owner.
3. Plan Interpretation and Operation. The Lower Latham Reservoir Company and the Company shall have the exclusive authority to interpret, operate and manage all SWSPs and the Plan.
4. Terms and Conditions. Well Owner further understands and agrees that upon the execution of this Agreement, Well Owner shall be bound by the terms of this Agreement and Covenant, and the Rules, Regulations, Articles, Bylaws, Resolutions and Policies of the Company as they are amended and adopted from time to time. Well Owner also acknowledges that the Plan and/or SWSP is the legal authority by which the Well is allowed to pump, and the continued inclusion of the Well in the Plan shall be conditioned upon Well Owners compliance with the Agreement and the Rules, Regulations and Bylaws of the Company as they are amended from time to time, and the operation of the Well in accordance with its decree and/or permit. If the Well is also included the augmentation plan(s) operated by the Central Colorado Water Conservancy District, replacement water, including replacement for post-pumping depletions, credited to the Well through the operation of that plan shall be deducted from the calculated depletion obligation of the Well in this Plan. Well Owner acknowledges that as a condition of all future SWSP approvals and a requirement of any court decree to operate the Plan, the Company will need to demonstrate that all wells in the Plan are being operated in accordance with their well permits and



court decrees. Accordingly, if the Well is not being operated in accordance with its permit and/or decree, Well Owner shall take whatever steps are necessary to promptly bring the use of the Well into legal compliance with its permit and/or decree, and Well Owner acknowledges that if Well Owner fails to do so the Company may immediately remove the Well from the Plan, discontinue providing augmentation water for the Well and/or terminate this Agreement.

5. Metering and Monitoring. The Company shall have the authority to require Well Owner to measure and meter Well use in any way that is acceptable to the Company and the State Engineer (which terms shall mean the State Engineer and his designees, including the Division Engineer for Water Division No. 1). If required by the Company, Well Owner shall install, maintain and keep in good working order such measuring devices as are required by the Company, and Well Owners shall measure and account for all pumping from the Well in accordance with measuring and reporting requirements of the Company, which records shall be provided by Well Owner to the Company.

6. Information. Well Owner shall provide to the Company all information reasonably requested by the Company concerning Well Owner's use of the Well. Well Owner shall immediately notify the Company in writing of any material changes concerning the Well and its usage including but not limited to: (i) any change in the operation or use of the Well; (ii) any change in the type, number, ownership, use or extent of use of the surface water rights of the Property; (iii) any sale, lease, or other disposition of the Well or the Property; (iv) any addition or reduction in the lands irrigated by the Well; and (v) any cessation of irrigation from the Well for more than one year.

7. Limitation and Compliance. The Company may require the Well Owner to limit or curtail the pumping of the Well and/or require that Well Owner reduce the number of acres irrigated by the Well, if the Company determines that either such action is necessary to remain in compliance with the SWSP or Water Court decree by which the Plan is then operating.

8. Records and Maintenance. Well Owner shall, if required by the Company, provide to the Company on at least an annual basis the number of acres to be irrigated on the Property, the type(s) and acres of crops to be grown, the type(s) and quantity of other sources of water used to irrigate the Property (including the number of shares of Lower Latham Reservoir Company and/or Lower Latham Ditch Company shares), the method(s) of irrigation, and such other information as is required by the Company in regard to the operation of the Well under the SWSP or the Plan. If the Company requires that wells in the Plan be metered, Well Owner shall also be responsible for providing to the Company, as frequently as is required by the Company, pumping records for the Well. The Company may elect to determine pumping of the Well based on power records. To this end, Well Owner agrees to provide the Company, upon request by the Company, the power records for the Well, and to have the Well tested, as frequently as required by the Company, to assure the appropriate power conversion calculations can be made to accurately determine pumping from the Well. This Agreement is also a release by the Well Owner allowing the Company to obtain the power records for the Well directly from power company.

9. Limitation of Liability and Waiver. The Company shall endeavor to obtain a final decree from the Water Court approving the Plan, and obtain approval for SWSPs from year to year until such time as a decree is entered. However, the process for obtaining a decree or a SWSP is inherently uncertain. Accordingly, in the event the Company is unable to obtain a decree (or approved SWSP) for the augmentation plan anticipated, the Company reserves the right to require that Well Owner limit or cease use of the Well, reduce the number of acres irrigated by the Well, or take such other action as the Company deems appropriate in order to comply with the requirements and constraints of the SWSP(s) or final Water Court decree(s). The Company also reserves the right to terminate this Agreement in the event that the SWSP(s) or the final decree(s) for the Plan are not decreed or approved by the Water Court and/or State Engineer, or if, in the Company's discretion, the depletions from the Well cannot be augmented in accordance with the said SWSP(s) or decree(s). The Company voluntarily makes its

augmentation plan available, and Well Owner understands and agrees that the Company retains the right to discontinue, either temporarily or permanently, the participation of the Well included within the Plan at any time, for any reason deemed justifiable by the board of directors of the Company. The Company shall not be responsible for damages of any kind, direct or indirect, sustained by Well Owner as a result of the Company's failure to obtain the decree or decrees or SWSP(s) anticipated by which the Plan is to operate, or for any injury caused to Well Owner or third parties as a result of the Company's decision to terminate, limit or curtail pumping of the Well or reduce the number of acres that Well Owner may irrigate from the Well.

10. Termination. The Well Owner shall have the ability to terminate this Agreement by providing written notice to the Company of Well Owner's intent to terminate. Regardless of when such notice is provided, however, Well Owner shall continue to be bound by this Agreement until November 30th of the following year. The foregoing notwithstanding, if there are depletions still owing from the pumping or past pumping of the Well, Well Owner shall continue to be bound by this Agreement until said depletions are replaced by operation of the Plan or the Well Owner can demonstrate, to the Company's and the State Engineer's satisfaction, that any such depletions still owing will be replaced by the Well Owner in some way other than by the Plan. For purposes of calculating remaining post-pumping depletions owed by the Well, any replacement water attributable to the Well from the augmentation plan(s) other than the Plan that can be credited to offset post-pumping depletions from the Well shall be credited against post-pumping depletions. Upon termination of this Agreement, the use of the augmentation water shall remain within the control Lower Latham Reservoir Company. Well Owner shall be responsible for any costs incurred by the Company in modifying the decree(s) and/or SWSP to remove the well from the decree(s) and/or SWSP.

11. Assignment by Company. This Agreement may be assigned by the Company.

12. Assignment by Well Owner. This Agreement may not be assigned by Well Owner except when Well Owner conveys title to the Property and/or the Well to a third party, and the Well Owner or the purchasing third party, obtains the written consent from the Company to the assignment, which consent shall not be unreasonably withheld.

13. Annual Assessments. Well Owner shall pay annual assessments and other fees and costs assessed by the Company ("Assessments") for the payment of expenses as determined by the board of the directors of the Company. Well Owner understands and acknowledges that Assessments assessed to Well Owner by the Company may vary depending upon whether or not Well Owner is the owner of capital stock in Lower Latham Ditch Company but not the Lower Latham Reservoir Company. Further, Well Owner understands that Assessments due to the Company may also vary depending upon the amount of water pumped from the Well or water consumed in the irrigation of the Property. Expenses may include, but shall not be limited to, payments for leases and/or purchase of water rights, the costs of maintaining the Plan, legal and accounting fees, management fees, expenses and liabilities incurred by the Company under or by reason of the Plan and the creation and continuance of a reserve or surplus fund for continued operation of the Plan, as needed.

14. Levy and Assessment. The board of directors of the Company may elect to change the due dates or the frequency of the Assessments. The board of directors may, from time to time throughout each year, change the amount of the Assessment to meet the financial needs of the Company. In addition, the board of directors may elect to assess late payment fees.

15. Effect of Nonpayment, Assessment Lien.

(a) Any Assessment assessed to Well Owner which is not paid on or before its due date shall be delinquent. If Assessments or other payments becomes delinquent, the Company may take any or all of



the following actions: (i) assess a late charge for each delinquency in such amount as the Company deems appropriate, up to a maximum of ten percent of the unpaid assessment; (ii) assess an interest charge from the due date; (iii) suspend the rights of the Well Owner, including the right to continued augmentation for the Well under the Plan; (iv) bring an action at law against the Well Owner personally obliged to pay the delinquent Assessments and other fees and costs; and/or (iv) proceed with foreclosure as set forth below.

(b) All sums for assessments, fees or other payments chargeable to the Well Owner not paid when due shall constitute the basis for a lien upon the Property. To evidence such lien, the Company shall prepare a written Notice of Lien assessment setting forth the amount of such unpaid indebtedness, the name of the Well Owner and description of the Property. Such Notice of Lien shall be signed by one of the officers of the Company on behalf of the Company and shall be recorded in the office of the County Clerk and Recorder of the County where the Property is located. The Company may institute foreclosure proceedings against the defaulting Well Owner's Property in the manner for foreclosing a deed of trust or mortgage on real property under the laws of the State of Colorado. In the event of any such foreclosure, the Well Owner shall be liable to the Company for the amount of unpaid Assessments and other costs, any penalties and interest thereon, the costs and expenses of such proceedings, the costs and expenses for filing the notice of the claim and lien, and all reasonable attorney's fees incurred in connection with the enforcement of the lien. The Company shall have the power to bid on the Property at a foreclosure sale and to acquire and hold, lease, mortgage and convey the same.

(c) All sums for assessments, fees or other payments chargeable to the Well User not paid when due shall also constitute the basis for a lien upon all shares of stock owned by the Well Owner in the Lower Latham Reservoir Company and/or Lower Latham Ditch Company. Upon nonpayment of assessments, fees or other payments, the Company shall have the right to enforce a lien on the shares of Well Owner as allowed by law, and shall provide notice to the Lower Latham Reservoir Company and/or Lower Latham Ditch Company of said nonpayment. Well Owner acknowledges and agrees that upon such notice, the Lower Latham Reservoir Company and/or Lower Latham Ditch Company shall have the authority to (1) place notice of the lien on the face of the stock certificate(s) (or any re-issued stock certificate) that are subject to this lien subject to this lien and/or (2) treat said nonpayment as it would nonpayment of Lower Latham Reservoir Company and/or Lower Latham Ditch Company assessments, which shall include the right to refuse to deliver surface water represented by shares of Latham Reservoir Company and/or Lower Latham Ditch Company owned by the Well Owner, or to refuse to transfer or reissue any surrendered stock certificate(s) that is subject to this lien until the delinquent payments have been made.

(d) The Company shall have whatever other recourse to collect delinquent Assessments and other fees and costs that is stated in the Company's Articles, Bylaws, Resolutions and Policies as they are amended and adopted from time to time.

16. Personal Obligation. No Well Owner is exempt from liability for the Assessment by abandonment of the Well or Property or by a waiver of the use or enjoyment of all or any part of the Plan. Suit to recover a money judgment for unpaid Assessments and other fees and costs, any penalties and interest thereon, the costs and expenses of such proceedings and all attorneys fees actually incurred in connection therewith shall be maintainable without foreclosing or waiving the Assessment lien(s) provided in this Agreement and Covenant.

17. Reserves. The Company has not, at the time of the execution of this Agreement, established any reserve accounts or funds. The Company reserves the right to establish such accounts or funds in such amounts as the board of directors deems desirable and to assess the Well Owner for its share of such reserve accounts or funds as a portion any Assessment.

18. Enforcement. The Company shall have the right to enforce, by a proceeding in law or equity, all restrictions, conditions and covenants imposed by the provisions of this Agreement and Covenant. Failure of the Company to seek enforcement of any covenant or restriction contained in this Agreement shall in no event be deemed a waiver of the right to do so thereafter.

19. Severability, Waiver and Estoppel. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions, which shall remain in full force and effect. Failure of the Company to enforce the provisions of the Agreement at any time shall not operate as a waiver or an estoppel.

20. Covenant and Recording of Agreement. This Agreement and Covenant shall burden, attach to and run with the Property. The Company shall record this Agreement with the Clerk and Recorder of the appropriate county after it has been executed by the parties. Well Owner shall be responsible for paying the filing fee for recording.

21. Agreement Contingent Upon Agreement With Lower Latham Reservoir Company. If for any reason the Lower Latham Reservoir Company does not agree to allow the Company to operate and manage the Plan, this agreement shall be null and void and of no force and effect.

22. Minimum Number of Participants. Unless shareholders representing in excess of 78 shares in the Lower Latham Reservoir Company have agreed to participate in the augmentation plan as evidenced by the execution of the necessary Augmentation Agreements and Covenants with the Company, Well Owner and/or the Company may elect to terminate this Agreement by written notice to the other party, thereby rendering this Agreement null and void.

23. Successors and Assigns. To the extent that this Agreement may be assigned, this Agreement and the rights of the parties hereunder shall be binding upon and shall inure to the benefit of the parties hereto and their heirs, legal representatives, successors and assigns.

24. Entire Agreement. This Agreement represents the complete agreement of the parties, and no previous oral agreements or understandings shall be recognized. Any amendment to this Agreement shall be made in writing and signed by the parties.

IN WITNESS WHEREOF, the parties have caused these presents to be duly executed by the proper officers, and have affixed their seals hereto on the day and year first above written.



3446838 01/09/2007 03:57P Weld County, CO
7 of 9 R 46.00 D 0.00 Steve Moreno Clerk & Recorder

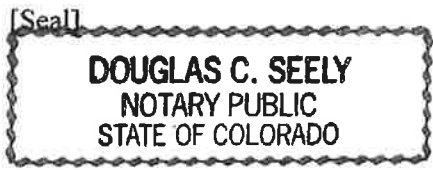
LOWER LATHAM ASSET MANAGEMENT COMPANY

By *Ted Buderus*
Ted Buderus, President

STATE OF COLORADO)
)ss.
COUNTY OF WELD)

JS The foregoing instrument was acknowledged before me this 30th day of December, 2005, by TED BUDERUS, in his capacity as President of LOWER LATHAM ASSET MANAGEMENT COMPANY.

Witness my hand and official seal.



My Commission Expires 07/12/2009

Douglas C. Seely
Notary Public
My commission Expires: 7/12/09



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8 of 9 R 46.00 D 0.00 Steve Moreno Clerk & Recorder

WELL OWNER:

By: Clarence W. McCauley P.O.A.
Clarence W. McCauley

STATE OF COLORADO)
)ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2005, by
Clarence W. McCauley

Witness my hand and official seal.

[Seal]

Notary Public
My commission Expires: _____

WELL OWNER:

By: Juanita L. McCauley
Juanita L. McCauley

STATE OF COLORADO)
)ss.
COUNTY OF Larimer)

The foregoing instrument was acknowledged before me this 29th day of November, 2005, by
Juanita L. McCauley

Witness my hand and official seal.

[Seal]



Notary Public
My commission Expires: _____

My Commission Expires 3/14/2007

POWER OF ATTORNEY

I, C.W. McCAULEY aka CLARENCE W. McCAULEY, the principal, of Loveland, Colorado, do hereby designate JUANITA L. McCAULEY and if she is unable then DAVID W. BERNHARDT to act in my name and for my benefit for the following purposes and with all of the powers and authority herein granted, to-wit:

- 1. To forgive, request, demand, sue for, recover, collect, receive, hold all such sums of money, debts, dues, commercial paper, checks, drafts, accounts, deposits, legacies, bequests, devises, notes, interests, stock certificates, bonds, dividends, certificates of deposit, annuities, pension, profit sharing, retirement, social security, insurance and other contractual benefits and proceeds, all documents of title, all property, real or personal, intangible and tangible property and property rights, and demands whatsoever, liquidated or unliquidated, now or hereafter owned by, or due, owing, payable or belonging to me, or in which I have or may hereafter acquire an interest; to have, use, and take all lawful means and equitable and legal remedies and proceedings in my name for the collection and recovery thereof, and to adjust, sell, compromise, and agree for the same, and to execute and deliver for me, on my behalf, and in my name, all endorsements, releases, receipts or other sufficient discharges for the same. To collect, sue, compromise, or otherwise dispose of any claim or debt in which I now or hereafter may have an interest; to pay, compromise, or otherwise discharge and secure releases from any obligations or claims against me.
2. To deposit in my name and for my account with any bank, banker, savings and loan institution, or trust company, all moneys which may come to hand as such attorney, and all bills or moneys, exchanges, drafts, checks, promissory notes, and other securities or moneys payable or belonging to me, and for that purpose to sign my name and endorse the same for deposit or collection, and from time to time withdraw any or all moneys deposited with any such bank, banker, savings and loan institution, trust company, or any other banking institution having moneys belonging to me, and for the purpose to draw checks in my name and to endorse any and all checks, money orders and drafts in my name as my attorney-in-fact, with the same force and effect as though endorsed by me.
3. I specifically authorize my said attorney-in-fact to endorse and cash all Social Security, Medicare, Medicaid, insurance or retirement checks or drafts, to which I am now or may become entitled in the future.
4. To sell, transfer, exchange, or encumber all real property which I own or in which I may have an interest, and particularly that real property which I own in , which is described as follows, to-wit:

To execute all deeds, instruments of conveyance or encumbrance, or other instruments necessary to properly convey, transfer, exchange, or encumber all or any part of my interest in said property to any grantee or grantees thereof.

5. To maintain, repair, improve, invest, manage, insure, rent, lease, encumber, and in any manner deal with any of my real property, or any interest therein, that I now own or may hereafter acquire, in my name and for my benefit, upon such terms and conditions as my attorney-in-fact shall deem proper.

6. To sell, transfer, exchange, or encumber any or all of my personal property, whether the same be tangible or intangible, and to execute and deliver all necessary instruments for the transfer or encumbrance thereof.

7. To manage all my personal property and to do all things with respect thereto the same as I may do in my own right.

8. To sign in my stead any and all Federal and State income tax or other tax returns of any kind or nature, including gift tax returns with respect to gifts made by me for any year or years; to consent to any gifts and to utilize any gift-splitting provision or other tax election; to prepare, sign and file any claims for refund of any tax; and to represent me before any taxing authority with respect to any of the said tax returns, or any matters related thereto, and any and all other tax matters.

9. To have access at any time or times to any safe deposit box rented by me, wheresoever located, and to remove all or any part of the contents thereof, and to surrender or relinquish said safe deposit box; and any institution in which any such safe deposit box may be located shall not incur any liability to me or my estate as a result of permitting my agent to exercise this power.

10. To apply for a Certificate of Title upon, and endorse and transfer title thereto, for any automobile, truck, pickup, van, motorcycle or other motor vehicle, and to represent in such transfer assignment that the title to said motor vehicle is free and clear of all liens and encumbrances except those specifically set forth in such transfer assignment.

11. To exercise or perform any act, power, duty, right or obligation whatsoever that I now have or may hereafter acquire, relating to any person, matter, transaction or property, real or personal, tangible or intangible, now owned or hereafter acquired by me. I further grant to my attorney-in-fact full power and authority to do everything necessary in exercising any and all of the powers herein granted as fully as I might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that my attorney-in-fact shall lawfully do or cause to be done by virtue of this power of attorney and the powers herein granted.

12. This General Power of Attorney shall not be affected by my disability.

THIS General Power of Attorney shall remain in full force and effect until revoked by me.

IN WITNESS WHEREOF, I hereunto set my hand and seal this 19th day of October, 1988

STATE OF COLORADO)
COUNTY OF LARIMER) ss. C.W. McCAULEY CLARENCE W. McCAULEY CLARENCE W. McCAULEY

On the 19th day of October, 1988, before me personally appeared C.W. McCAULEY aka W. McCAULEY known by me to be the person whose name is subscribed to the within and foregoing instrument, and acknowledged to me that executed the same for the uses and purposes set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 19th day of October, 1988

My commission expires: January 19, 1989
P.O. Box 642
Loveland, Colorado 80539

Shirley R. [Signature]
NOTARY PUBLIC

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9 of 9 R 46.00 D 0.00 Steve Moreno Clerk & Recorder