This exhibit responds to the requirement that Applicant show how Design and Performance Standards for Chapter 4.304 (a) and (b) will be met.

The FLCC Board approved the following process for implementing a reasonable revegetation and dry-land farming plan ("Process"). ARF proposes that the County adopt the same Process to prevent overlap in regulatory requirements.

I. REVEGETATION AND DRY-LAND PROCESS

1. Upon the removal of irrigation water from each LAWMA Dry-Up parcel, such parcel shall be subject to these requirements to be revegetated or converted to dry-land farming. The revegetation or conversion to dry-land farming shall be done in the manner described in Sections A and B below.

2. ARF shall have ten (10) years from the date irrigation water is removed from a parcel of LAWMA Dry-Up to obtain a Certificate of Completion for that parcel of the LAWMA Dry-Up.

3. Prior to removal of a LAWMA Dry-Up parcel from irrigation, ARF will give notice to the County and Company that provides: i) the identity of the parcel(s) to be removed from irrigation; ii) a statement of whether the parcel(s) will be revegetated or dry-land farmed.

4. Upon the removal of lands from irrigation, ARF shall allow dry-land farming on no more than sixty five percent (65%) of the ARF owned LAWMA Dry-Up lands. As to the thirty five percent (35%) of the ARF owned LAWMA Dry-Up lands not dry-land farmed, ARF shall either revegetate, re-irrigate, or convert the dried up farms to non-agricultural uses including but not limited to gravel mines. ARF owned LAWMA Dry-Up lands do not include approximately 2,000 acres of non-ARF owned farms that are subject to dry-up covenants and that severed water from the land prior to adoption of the Bent County 1041 regulations. Those farms may be dry-land farmed or revegetated as provided for in the recorded dry-up covenants.

5. ARF will obtain security in an amount equal to the number of acres historically irrigated by any LAWMA Dry-Up farm removed from irrigation multiplied by $250 (number of acres in farm removed from irrigation X $250 = required security amount) to secure its obligation to successfully revegetate or convert the farm to dry-land farming. The security shall be a Letter of Credit from Rabo Bank.
ARF shall reserve 500 of its 2,203.44 unchanged Fort Lyon shares to be used to aide in revegetation of the LAWMA Dry-Up. These 500 shares shall be released to ARF after it receives Certificates of Completion for eighty percent (80%) of the LAWMA Dry-Up.

Once ARF obtains a Certificate of Completion for any particular parcel of the LAWMA Dry-Up, the security for that parcel shall be released consistent with the terms of the security.

Once ARF obtains a Certificate of Completion for any parcel of the LAWMA Dry-Up, FLCC shall have no further oversight of the farming or land management practices on that parcel by Bent County.

If ARF has not completed revegetation or converted any LAWMA Dry-Up to dry-land farming within ten years of the parcel being removed from irrigation the County may withdraw and employ from the security such funds as may be necessary to carry out the revegetation work for such parcel, up to an amount equal to the number of acres not certified as complete times $250. In the event that the Company has utilized it’s security to revegetate the same parcel, the County shall not withdraw funds from security for revegetation of the same parcel. The County shall provide ARF a reasonable time to cure of no less than one irrigation season for any deficiency identified by the County prior to requesting withdrawal from the security.

To the extent that successful establishment and maintenance of revegetation of the LAWMA Dry-Up may require water for an interim period, ARF shall provide such water at its cost. Potential sources of such water may include but are not limited to the following: (i) ground water that is treated as sole-source pumping and is fully-augmented under LAWMA’s augmentation plan or other augmentation plan approved by the Water Court for Water Division 2, or any SWSP or Arkansas River replacement plan approved by the State Engineer; (ii) water available to other Fort Lyon Canal Company shares owned by Arkansas River Farms; and/or (iii) water available to certain of the Fort Lyon Shares, repaid to LAWMA in the form of an equivalent reduction in allocation to the LAWMA Trade Shares (e.g., if the water available to all 82 Fort Lyon Shares historically used on the Farm No. 3 Dry-Up is required to establish and maintain revegetation, LAWMA would not allocate water to 82 of the LAWMA Shares during that irrigation season). LAWMA will make the determination as to whether water is required for an interim period to establish and maintain revegetation based on the opinion of its consulting expert in agronomy.

In the event that the owner of any LAWMA Dry-Up desires to continue to irrigate portions of the LAWMA Dry-Up with ground water pumped by wells, the County acknowledges that nothing in this Process is intended to preclude the owner from continuing to irrigate the LAWMA Dry-Up with ground water, as long as any such irrigation with ground water is treated as sole-source pumping and is fully augmented under LAWMA’s augmentation plan or other augmentation plan approved by the Water Court for Water Division No. 2, or any substitute water supply plan or replacement plan approved by the Colorado State Engineer. If any
dry-up covenant for the LAWMA Dry-Up is more restrictive on the owner of the LAWMA Dry-Up or more protective of LAWMA than this Process, then the terms and conditions of the dry-up covenant shall control.

12. In the event that the owner of any LAWMA Dry-Up desires to irrigate portions of the LAWMA Dry-Up with FLCC shares not part of this application and not previously used on the LAWMA Dry-Up Lands proposed to be irrigated (“New FLCC shares”), the County acknowledges that nothing in this Process is intended to preclude the owner from doing so, as long as any such irrigation with New FLCC shares has been approved by the Company if required by the FLCC By-laws. If any dry-up covenant for the LAWMA Dry-Up is more restrictive on the owner of the LAWMA Dry-Up or more protective of LAWMA than this Process, then the terms and conditions of the dry-up covenant shall control.

II. CERTIFICATION OF COMPLETION

A. Definitions

1. Acceptable for Farms where Revegetation will occur means:
   a. Any field that meets the criteria for Classes VI or VII using the Revegetation Classification Schedule in Section III.
   b. Certain fields may never reach Classes VI or VII, nonetheless, if the Annual Report determines a particular field has been revegetated as far as can be reasonably expected, such field will be Acceptable if noxious weeds and/or erosion of the soil caused by wind is adequately controlled in a manner consistent with state and local law.
   c. Any Field successfully converted to Dry-land Farming shall be Acceptable.
   d. Any Field upon which buildings, grain storage facilities, railways or railroad facilities, oil and gas facilities, wind power generation facilities, power transmission facilities, pump houses, recharge facilities, augmentation stations, feed yards, roads, reservoirs, drains, impervious surfaces or other facilities or structures on a Farm that will adequately control noxious weeds and/or erosion of the soil caused by wind, shall be classified as Acceptable.
   e. Any Field that is irrigated as allowed under the Process term and conditions 11 and 12 above shall be classified as Acceptable.

2. Acceptable Farms where Dry-land Farming will occur means:
a. The farm has been planted to a dry-land crop or is in a fallow period following a dry-land crop; the crop was planted and farmed without irrigation water, such that it is dependent solely upon precipitation to meet crop water requirements; if other dry-land farming in the region is producing crops, the farm also is producing a dry-land crop with weeds adequately controlled and that controls soil erosion from wind in a manner consistent with state and local law; and minimum crop residue after harvesting a dry-land crop is as described below, and the crop residue is left on the parcel until the parcel is prepared for the next rotation of planting; provided, however, that this requirement for crop residue does not prevent a farmer from controlling weeds by mechanical tillage of the parcel or using other acceptable methods of weed control that do not disturb the residue on the surface. For grain crops, such as winter wheat or milo, this shall include a minimum crop residue of at least thirty percent (30%) determined by the step-point method. For hay or forage crops, crop stubble shall measure at least five inches (5”) with row spacing no more than thirty inches (30”).

b. Recommended best management practices for Farms designated to be Dry-land Farmed shall include the following.

i. The management of annual precipitation to produce commodities or forage for livestock warranting a reasonable expectation of ongoing profits.

ii. Weed control methods on crop land may include conservation tillage, mowing or chemicals to manage harvested crop residue to reduce evapotranspiration of soil moisture and maintain ground cover to minimize soil erosion by wind or water.

iii. Conservation tillage is achieved by the use of non-inversion tillage equipment such as chisels, field cultivators, sweeps, vertical tillage, no-till planters or strip till planters to maximize harvested crop residue ground cover over thirty percent (30%) or more of the entire field.

A Farm designated to be Dry-land Farmed will be deemed Acceptable even in the absence of the above-described recommended best management practices, as long as the requirements in Sub-Section 2.a above have been met for that Farms.

3. Dry-land Farming means the establishment and maintenance of dry-land farming practices with weeds adequately controlled and that controls soil erosion from wind in a manner consistent with state and local law. Dry-land farming practices include: No-Till Dry-land Farming and Minimum-tillage Dry-land Farming.

4. Farm means the parcels of land used for agricultural purposes which will be permanently removed from irrigation as described in the Process.
5. Field means a portion of the LAWMA Dry-Up within any Farm.

6. Minimum tillage Dry-land Farming means management of farming operations which seeks to minimize impacts from tilling through the use of a sweep plow, strip-till, or similar technology. Additionally, a farmer may rely on herbicides to control weeds. Both contact and residual herbicides may be used. Periodic fallowing and crop rotation may be used to stabilize the crop yields and allow the soil to rest.

7. No-till Dry-land Farming means a system of planting seeds into untilled soil by opening a narrow slot, trench or band, of sufficient width and depth to obtain proper seed coverage. As no soil tillage is utilized, a farmer must rely on herbicides to control the weeds. Both contact and residual herbicides may be used. Periodic fallowing and crop rotation may be used to stabilize the crop yields and allow the soil to rest.

8. Percentage of Completion is the total dry-up acres for a farm classified as Acceptable divided by the total number of dry-up acres for a Farm as shown in the Annual Report, multiplied by 100.

9. Revegetation means the establishment of native grasses or such other self-sustaining (under the conditions prevailing on the land) suitable dry-land ground cover with weeds adequately controlled. Dry-land ground cover does not include alfalfa or other similar deep rooted phreatophytes. Revegetation of the LAWMA Dry-Up may include, but is not limited to, the following activities:
   a. Class I Fields. Seeding, irrigation, herbicide application and mowing;
   b. Class II Fields. Herbicide application and mowing;
   c. Class III Fields. Spot seeding and irrigation, herbicide application, mowing and grazing;
   d. Class IV-A Fields. Spot seeding and irrigation, herbicide application and mowing;
   e. Class IV-B Fields. Herbicide application, mowing and grazing;
   f. Class V Fields. Spot herbicide application and grazing.
g. Spot seeding and irrigation of any Class I through V fields if determined to be necessary for revegetation as fields matriculate through the classifications.

h. Continuation of appropriate revegetation activities.

i. Controlling weeds in a manner consistent with state and local law on all fields.

B. Annual Report.

1. On or about December 1 of every year ARF shall submit a report to the Company, County and the Water Court that provides information about the LAWMA Dry-Up Farms that have been removed from irrigation. The Annual Report shall provide the following information:

   a. The number of the Farm and the year that irrigation water first was removed.

   b. Whether the Farm is being Revegetated or Dry-land Farmed.

   c. The total number of acres that were dried-up.

   d. The Percentage of Completion for the Farm.

   e. The approximate annual precipitation that fell on the Farm, which may be estimated based on the average of published local weather station data.

   f. If the Farm was not Dry-land Farmed, the efforts undertaken in the preceding year to Revegetate the dried-up acreage, including without limitation, the seeding rate, type and composition of blend by percentage and date planted, information about herbicides or pesticides applied and information about efforts to control erosion of the soil caused by wind.

   g. If the farm was Dry-land Farmed, the efforts undertaken in the preceding year to convert the Farm to Dry-land Farming, including information about tilling practices, the planting and fallowing rotation, the crops planted, and the acres fallowed; information about herbicides or pesticides applied; information about efforts to control erosion of the soil caused by wind; information about the amount of crops harvested or the number of animal units grazing the land;
and information about the amount of crops planted and harvested by other Dry-land farmers in the area during the preceding year;

h. If the farm was Dry-land farmed, whether the crop is a grain crop or a hay/forage crop. If the crop is a hay/forage crop, the expert also will determine and record the stubble height in inches and the distance, in inches, on which the hay/forage crop was planted.

i. Whether water was used to assist in Revegetation or conversion to Dry-land Farming and if so describe the water used in amount and method of application.

j. Whether any other factors occurred that had a negative impact on efforts to Revegetate or convert to Dry-land Farming.

k. Classification of the lands pursuant to the chart in Section III. ARF shall notify the County and Company prior performing an annual inspection of the Farms to determine the classification. The County and Company may, at its election and cost, send its own Expert along with the ARF Expert to review the classification and progress toward completion of the Farms included in the Annual Report.

l. Whether a Field has been revegetated as far as can reasonably be expected and thus whether such Field will be considered Acceptable.

m. If an Annual Report has been filed on the Farm in past years, how the conditions on the Farm compares to past years.

n. If a Farm is recommended for a Certificate of Completion, the Annual Report shall also contain representative photographs of the Farm depicting how the Farm has been Revegetated or converted to Dry-land Farming.

o. Whether the Farm is eligible for issuance of a Certificate of Completion.

C. Certificate of Completion. The criteria for issuing a Certificate of Completion for Revegetated land and lands converted to Dry-land Farming shall be:

1. Certificate of Completion may only be issued for an entire Farm.

2. Revegetation: Any Farm that has 90% Percentage of Completion shall be granted a Certificate of Completion.
3. Dry-land Farming: Any Farm where 90% of its Fields were used for one full crop rotation cycle (two years crop production, one year fallow with appropriate stubble and weed control) in accordance with the standards described in Section A.2.a above and with adequate control of weeds and wind-caused soil erosion in a manner consistent with state and local law shall be granted a Certificate of Completion.

D. Review of Annual Report and Dispute Resolution.

1. ARF shall pay the reasonable expenses of an expert jointly retained by the County and Company (Retained Expert) to review any Annual Report that recommends that a Farm is eligible for a Certificate of Completion.

2. The Retained Expert shall approve or reject the Annual Report that recommends that a Farm is eligible for a Certificate of Completion, no later than January 15.


      i. Any FLCC stockholder on their own behalf and not on behalf of the FLCC, may separately oppose Water Court approval of a Certificate of Completion for any Farm in which the Annual Report recommends issuance of a Certificate of Completion.

   b. If the Retained Expert does not approve an Annual Report that recommends that a Farm is eligible for a Certificate of Completion, ARF’s Expert and the Retained Expert, no later than February 1, shall consult and attempt to reach a consensus, which consensus may modify, or add terms to the recommendation contained in the Annual Report.

   c. If the experts do not reach consensus on whether a Farm is eligible for a Certificate of Completion, then the recommendation may be withdrawn by ARF or Water Court approval of the Certificate of Completion may be requested, which may be opposed by FLCC.

   d. The Water Court shall rule upon any contested request for approval of a Certificate of Completion, whether FLCC or a FLCC stockholder is the opposer.

      i. Any appeal of the Water Court’s Process on a request for approval of a Certificate of Completion shall follow the normal rules and procedures for appeal of a water matter.
III. REVEGETATED LAND CLASSIFICATION METHODOLOGY

CLASS I  Full seeding and irrigation needed, either first seeding or reapplication of seeding. Desired plants scarce or absent.

CLASS II  Seeding and irrigation completed. Stand undetermined. Usually this will occur at the beginning of the second growing season following seeding.

CLASS III  Stand is variable. Part of the field has an adequate stand and part does not. Plants may be juvenile plants to well developed mature plants. More than 10% of field with an inadequate stand on areas exceeding one acre in size. Plant frequency of desirable plant on deficient areas is less than 10%. Such deficient areas will require reseeding.

CLASS IV-A  Stand is inadequate, frequency is less than 10% but plants are fairly well distributed over field. Field may need reseeding.

CLASS IV-B  Stand is inadequate; frequency is between 10% to 15%. Plants are uniformly distributed over the field. No further seeding then recommended as the stand is expected to develop.

CLASS V  Stand appears adequate but root system is undeveloped. There are 10% to 15% or more desired plants per count. Good potential for stand establishment. Generally found after the first growing season but possibly the second growing season.

CLASS VI  Stand adequate. Plants well rooted. Desirable plant frequency range 15% to 20%, no deficient areas larger than one acre in size over 90% of the field. This may occur following second growing season but more likely after the third growing season and beyond.

CLASS VII  Stand adequate. Plants well rooted with vigorous top growth. Desirable Plant frequencies are 20% to 30% or more over 90% of the field. No deficient areas larger than one acre in size. Generally occurring the third growing season and beyond.