

**PLANNING AGREEMENT FOR EXERCISE OF EXCLUSIVE RIGHT TO
NEGOTIATE FOR PURCHASE OF PRE-1914 WATER RIGHT**

This Planning Agreement For Exercise of Exclusive Right to Negotiate For Purchase of Pre-1914 Water Right ("Planning Agreement") is made effective January 5, 2007, ~~2008~~ by and between Clark Colony Water Company, a California Corporation (CCWC) and Marina Coast Water District, a County Water District organized and operating under sections 30000 and following of the California Water Code (MCWD).

RECITALS

A. CCWC claims a perfected pre-1914 surface-water appropriative right (the "Water Right") to divert up to 13,500 acre feet per year of water from the Arroyo Seco, a tributary of the Salinas River in Monterey County, CA, for irrigation uses within CCWC's Service area in and in the vicinity of Greenfield, CA. CCWC is willing to sell the Water Right.

B. MCWD wishes to carefully analyze and consider purchasing the Water Right to supplement and augment urban water supplies, and as one of a number of alternative means of facilitating mitigation of potential environmental effects associated with groundwater use in the area served by MCWD.

C. CCWC and MCWD executed a Negotiating Agreement on December 13, 2007, to memorialize provisions for providing MCWD with the exclusive right to negotiate for MCWD's purchase of the Water Right.

D. CCWC and MCWD intend by this Planning Agreement to memorialize and commit to the actions required for CCWC and MCWD to complete analysis and negotiation of a Purchase Agreement for the Water Right. The parties specifically intend to avoid any commitments and actions that would, in light of all surrounding circumstances, commit MCWD as a practical matter to purchase the Water Right. (See Save Tara v. City of West Hollywood (Cal. Supreme Ct., No. S151402, 10-30-08) 2008 WL 4741084; Cal.Code Regs., tit. 14, § 15262)

AGREEMENT

Based on the Recitals and the mutual promises made in this Negotiating Agreement, CCWC and MCWD agree as follows:

1. Upon execution of this Planning Agreement, MCWD will undertake immediately and prosecute diligently to completion, at MCWD's cost, preparation and

certification of an environmental impact report pursuant to the California Environmental Quality Act for a possible purchase of the Water Right, using the following project description for the preferred alternative project:

MCWD will purchase from CCWC and CCWC will convey to MCWD CCWC's pre-1914 appropriative right to divert up to 13,500 acre-feet per year of surface water from the Arroyo Seco. After such conveyance, CCWC will permanently cease all of its diversions of surface water from the Arroyo Seco and MCWD will divert up to 13,500 acre-feet per year of surface water from the Salinas River system pursuant to the Water Right, at times and places and in a manner that will insofar as possible mitigate potential environmental and economic and social impacts. One diversion alternative to be analyzed will be from the northern end of the Salinas River in the vicinity of Marina during times when the Salinas River is flowing to the ocean.

Water that MCWD diverts pursuant to the Water Right will be used to supplement and augment urban water supplies to supply the water needs identified in MCWD's Urban Water Management Plan, needs described in the Fort Ord Reuse Plan, needs analyzed in the Final Environmental Impact Report for the MCWD Regional Urban Water Augmentation Plan and uses described and analyzed in other environmental review and compliance documents. MCWD may store and bank for later use water that is diverted pursuant to the Water Right.

MCWD will use its best efforts to circulate a draft EIR for public comment by not later than January 31, 2009, and to complete and certify the final EIR by not later than April 30, 2009.

2. MCWD and CCWC will use their best efforts to complete negotiations for MCWD's purchase of the Water Right by not later than May 31, 2009, in accordance with the Negotiating Agreement and informed by the environmental analysis conducted pursuant to paragraph 1 of this Planning Agreement.

3. Within 60 days after certification of the EIR, the MCWD Board will consider and decide whether to cease negotiations with CCWC or to approve an agreement to purchase the Water Right.

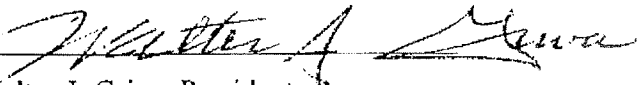
4. This Planning Agreement shall bind and benefit CCWC and MCWD and their respective successors and assigns. This Agreement shall not be interpreted to create any third-party rights.

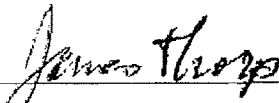
5. This Planning Agreement may be changed only by a writing signed by CCWC and MCWD. No waiver, consent, modification or change of terms shall bind any party unless in made in a writing signed by CCWC and MCWD.

6. If any provision of this Planning Agreement is found or deemed to be invalid, this Agreement shall be construed as not containing such provision, and all other provisions which are otherwise lawful shall remain in full force and effect, and to this end the provisions of this Agreement are declared severable.


WHEREFORE, CCWC and MCWD have caused this Planning Agreement to be signed at Monterey County, California, effective on the date first set forth above.

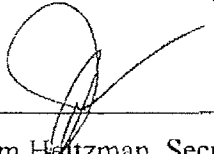
CLARK COLONY WATER COMPANY

By 
Walter J. Griva, President

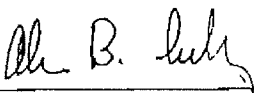
By 
Secretary

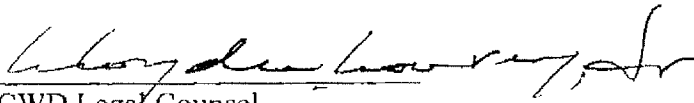
MARINA COAST WATER DISTRICT

By 
Howard Gustafson, President

By 
Jim Hertzman, Secretary

Approved as to form:


CCWC Legal Counsel


MCWD Legal Counsel