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

This Agreement For Exclusive Right to Negotiate For Purchase of Pre-1914 Water Right ("Negotiating Agreement") is made effective 12-13-07 ___, 2007 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 purchase the Water Right for the benefit of persons served and to be served by MCWD, and as a means of facilitating mitigation of potential environmental effects associated with groundwater use in the area served by MCWD.

C. This Negotiating Agreement is intended to memorialize provisions for providing MCWD with the exclusive right to negotiate for MCWD's purchase of the Water Right.

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 Negotiating Agreement, MCWD will pay $125,000.00 to CCWC for the exclusive right to negotiate with CCWC to purchase the Water Right. The exclusive right to negotiate will begin upon execution of this Negotiating Agreement by CCWC and MCWD and payment of $125,000 from MCWD to CCWC. The exclusive right to negotiate will end on December 31, 2008.

2. MCWD may extend the exclusive right to negotiate for an additional twelve months, from January 1, 2009 to December 31, 2009, by delivering written notice of the extension to CCWC on or before December 31, 2008, and paying an

additional $125,000.00 to CCWC at the time MCWD gives notice to extend the exclusive right to negotiate. If this notice is not timely given, or if this additional payment is not made, the exclusive right to negotiate shall terminate on December 31, 2008, CCWC shall keep the payment(s) received from MCWD and CCWC shall have no further obligations to MCWD.

3. Payment(s) made by MCWD to CCWC under this Negotiating Agreement will be applied to the purchase price if MCWD buys the Water Right. If MCWD and CCWC do not execute a final agreement for the sale by CCWC and purchase by MCWD of the Water Right by December 31, 2008, or by December 31, 2009 if this deadline is extended under the provisions of paragraph 2, then CCWC shall keep the payment(s) received from MCWD and CCWC shall have no further obligations to MCWD.

4. CCWC and MCWD will negotiate diligently and in good faith to determine the amount and terms of payment of the purchase price for the Water Right. At the written request of either CCWC or MCWD, they shall together engage an independent, neutral person to facilitate their negotiations and shall share equally the fees and costs of facilitation. If they cannot agree on a facilitator, they shall each propose three facilitators, may each reject two of the other party's proposed names, and will select the name of the facilitator by lot drawn by the president of CCWC. Any such facilitation process shall be non-binding and shall not extend any of the deadlines specified in paragraph 2.

5. During the term of this exclusive right to negotiate and any extension thereof, CCWC will not take any action to offer, sell or transfer any interest in the Water Right to any person or entity other than MCWD.

6. CCWC and MCWD will cooperate to obtain any third-party agreement or permission necessary for MCWD to change the place of use, manner of diversion and purpose of use of the Water Right, pursuant to Water Code section 1706 and other applicable laws, rules, regulations, decisions and contracts.

7. This Negotiating 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.

8. This Negotiating 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.

9. This Negotiating Agreement integrates and supersedes all prior communications and understandings between CCWC and MCWD concerning the Water Right.

10. If any provision of this Negotiating 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.

11. The parties agree in good faith to attempt to resolve amicably, without litigation, any dispute arising out of or relating to this Agreement. In the event that any dispute cannot be resolved through direct discussions, the parties agree to endeavor to settle the dispute by mediation. Any party may make a written demand for mediation, which demand shall specify the facts of the dispute. The matter shall be submitted to a mediator who shall hear the matter and provide an informal nonbinding opinion and advice in order to help resolve the dispute. The mediator's fee shall be shared equally by the parties. If the dispute is not resolved through mediation, the matter may be submitted to the judicial system, in which event all litigation expenses, witness fees, court costs and attorneys' fees shall be paid to the prevailing party.

12. All notices hereunder shall be in writing, sent by certified mail, return receipt requested, or by mutually recognized overnight carrier or by facsimile transmission addressed to the other party as follows:

To MCWD:	General Manager 11 Reservation Road Marina, CA 93933-2099 Phone No.: (831) 384-6131 Fax No.: (831) 883-5995
To CCWC:	Michael Griva 41620 Peach St. Greenfield, CA Phone No.: (831) 595-5291 Fax No.: (831) 674-0874

The address or fax number to which any notice or other writing may be given or made or sent to any party may be changed upon written notice given by such party as above provided.

13. This Negotiating Agreement has been arrived at through negotiation between the Parties. Neither party is to be deemed the party which prepared this Negotiating Agreement within the meaning of Civil Code section 1654.

14. This Negotiating Agreement may be executed in counterparts. Each fully executed counterpart shall be deemed a duplicate original, and all counterparts which together contain the signatures of the Parties shall be

deemed, when attached together, one complete and integrated original document.

WHEREFORE, CCWC and MCWD have caused this Negotiating 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 Heitzman, Secretary

Approved as to form:

_____

CCWC Legal Counsel

_____

MCWD Legal Counsel