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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, 2009 ___, 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.
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> 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.

7. 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.

8. 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 93927 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.

9. This Planning 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.

10. This Planning 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 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 Heitzman, Secretary

Approved as to form:

_____
CCWC Legal Counsel

_____
MCWD Legal Counsel