

[Agency letterhead]

[Date]

Mr. Scott Maloni  
Vice President  
Poseidon Resources (Surfside) LLC  
5780 Fleet Street, Suite 140  
Carlsbad, CA 92008

***Re: Letter of Intent Regarding Huntington Beach Seawater Desalination Facility Water Reliability Agreement***

Dear Mr. Maloni:

The purpose of this letter (the "Letter of Intent") is to set forth certain non-binding commitments between the \_\_\_\_\_ ("\_\_\_\_\_") and Poseidon Resources (Surfside) LLC ("Poseidon") relating to an intent to purchase \_\_\_\_\_ acre feet per year of desalinated water from a seawater desalination plant to be built by Poseidon at its site in the City of Huntington Beach (the "Project").

1. Water Reliability Agreement. \_\_\_\_\_ agrees to begin good faith negotiations with Poseidon of a long term water reliability agreement (the "Water Reliability Agreement") with the proposed terms and conditions described in Exhibit A hereto (the "January 2013 Term Sheet") to be used as a starting point for negotiations.

2. No Liability. Except for the obligation to negotiate in good faith and for Section 3 below, the provisions of this Letter of Intent are non-binding and do not constitute and will not give rise to any legally binding obligation on the part of the parties hereto. Nothing contained in this Letter of Intent (including the January 2013 Term Sheet) shall be deemed or construed to be an agreement or obligation of either party to conclude negotiations by the execution of the Water Reliability Agreement. The provisions of this Letter of Intent (including the January 2013 Term Sheet) do not create any rights on the part of either party.

3. Costs. Each of the parties shall be responsible for its own costs and expenses relating to the review, negotiation and documentation and of a Water Reliability Agreement except as may otherwise be agreed upon by the parties.

4. Permitting. Poseidon and \_\_\_\_\_ each currently have an interest in the timely development of the Project. \_\_\_\_\_ will cooperate with Poseidon as appropriate in Poseidon's efforts to obtain all necessary regulatory approvals and permits to enable the timely construction of the Project.

5. Representations. Each party represents that this Letter of Intent is duly authorized. \_\_\_\_\_ represents that its [Board of Directors or City Council] has approved of the terms of this Letter of Intent and is authorized to negotiate the Water Reliability Agreement with Poseidon.

6. Governing Law. This Letter of Intent shall be governed by and construed in accordance with the laws of the State of California without reference to its conflicts of laws principles.

7. Counterparts. This Letter of Intent may be executed in one or more counterparts, each of which, when executed and delivered, shall be an original, but all of which together shall constitute but one and the same instrument.

If this Letter of Intent properly reflects our understanding, please indicate by signing in the space provided below and returning a copy to the undersigned.

Sincerely,

\_\_\_\_\_ [Water District or City]

By: \_\_\_\_\_  
[Name and Title]

AGREED AND ACCEPTED:  
Poseidon Resources (Surfside) LLC

By: \_\_\_\_\_

Scott Maloni  
Vice President

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