



April 25, 2013

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

Re: Non-Binding Letter of Intent Regarding Huntington Beach Seawater Desalination
Facility Water Purchase Agreement

Dear Mr. Maloni:

The purpose of this letter (the "Letter of Intent") is to set forth certain non-binding commitments between the Irvine Ranch Water District ("IRWD") and Poseidon Resources (Surfside) LLC ("Poseidon") relating to an intent to purchase up to 100 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") and to set forth certain conditions for such purchase between IRWD and Poseidon. This Letter of Intent supersedes IRWD's July 9, 2009 Letter of Intent in its entirety.

1. Water Purchase Agreement: IRWD agrees to begin good faith negotiations with Poseidon of a long-term water purchase agreement (the "Water Purchase 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 7 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 Purchase 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.

The Water Purchase Agreement to be negotiated, to the extent permissible by law, must protect IRWD and its customers from any financial or legal liability in the event of a failure of the Project to deliver water, or material default, bankruptcy, insolvency, reorganization or similar proceeding relating to Poseidon and/or its associated Limited Liability Corporations (LLCs).

Mr. Scott Maloni
Vice President
Poseidon Resources (Surfside) LLC
April 25, 2013
Page 2

3. Water Cost: The cost of water from the Project, including all production, conveyance and delivery capital and operating costs, must be provided by Poseidon at or below IRWD's equivalent cost for obtaining Tier 1 water from the Metropolitan Water District of Southern California (MWD) through the Municipal Water District of Orange County (MWDOC).

In the Water Purchase Agreement, Poseidon must agree that a reasonable share of any future reduction in Project water production costs will be passed through to IRWD or reflected in IRWD's purchase price for the Project water. This must include periodic disclosures of financial information necessary to ascertain actual Project water production cost during the term of the agreement.

4. Water Quality: The Project water must meet current and future water quality standards and in addition have no adverse effect on IRWD's potable or recycled water production or delivery systems, the on-site potable or recycled water delivery systems of IRWD's customers, or the intended end uses of water served from the potable or recycled system by IRWD's customers as determined by IRWD. IRWD will require that the Project water meet IRWD's water quality requirements, as stated above, regardless of IRWD's participation in the Water Purchase Agreement, in anticipation of Project water potentially being introduced into IRWD's water distribution system.

5. Alternative Water Supply: The Project water will have no adverse effect on IRWD's ability to pump groundwater or purchase MWD imported water in the future.

6. Additional Information: In addition, before IRWD would be willing to enter into a Water Purchase Agreement with Poseidon, IRWD will require certain information to evaluate and satisfy itself as to the Water Purchase Agreement pricing structure and other financial terms, as well as Poseidon's ability to execute and perform under the proposed Water Purchase Agreement. This information shall include, but not be limited to, a detailed financial pro forma for the Project (showing financing, all projected costs, profit, site lease agreements, energy contracts, etc.) and audited financial statements for Poseidon and its associated LLCs.

7. 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 Purchase Agreement except as may otherwise be agreed upon by the parties.

8. Permitting: IRWD will not impede Poseidon's efforts to obtain all necessary regulatory approvals and permits to enable the timely construction of the Project provided that the terms of the Letter of Intent are satisfied.

Mr. Scott Maloni
Vice President
Poseidon Resources (Surfside) LLC
April 25, 2013
Page 3

9. Representations: IRWD represents that this Letter of Intent is duly authorized. The IRWD Board of Directors approved the terms of this Letter of Intent at its meeting on April 22, 2013.

10. 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.

Sincerely,

Irvine Ranch Water District

A handwritten signature in blue ink, appearing to read "Paul Cook".

Paul Cook, P.E.