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DEPT. OF WATER RESOURCES
SOUTHERN REGION

Stipulation

This Stipulation is entered into this 15th day of Sept, 2008, between CLEAR SPRINGS FOODS, INC. ("Clear Springs") that is a party to, beneficiary, or holder of interest in water right application 36-16156 and water right 36-7201, and CLEAR LAKES, INC that is a party to, beneficiary, or holder of interest in ground and surface water rights.

RECITALS

Clear Springs holds water right 36-7201 with a priority date of Aug. 4, 1971 which authorizes industrial and fish propagation uses of spring water originating from springs discharging into Kanaka Creek.

Clear Springs filed water right application 36-16156 on April 4, 2003, with the anticipated withdrawal of 2 cfs for industrial, fish propagation and domestic uses within Clear Springs' processing plant.

Clear Lakes holds a water right which authorizes beneficial use of groundwater originating from the ESPA.

Clear Lakes also holds water rights for the use of spring water originating from the Clear Lakes Springs complex for fish propagation purposes.

Clear Springs desires to appropriate groundwater through Application 36-16156 for industrial and domestic purposes in order to satisfy certain federal safe drinking water requirements. In effectuating this appropriation Clear Springs does not desire expanding its use of water at the processing plant.

Clear Lakes desires to protect aquifer levels in the proximity of it's groundwater diversion and spring flows at the Clear Lakes complex.

Certain hydrologic analysis completed by the Applicant's consultant Dr. Charles Brockway apparently indicates that pumping at the proposed site is not likely to impact Kanaka Creek flows, Clear Lakes spring complex flow or aquifer groundwater levels in the vicinity of Clear Lakes' facility.

Clear Lakes filed protests to Clear Springs' Application 36-16156 in order to protect their interests described herein. The protestant desires to resolve the protest under the terms and conditions enumerated below.

NOW THEREFORE, in consideration of the mutual benefits accruing to the parties hereto, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

To the extent that groundwater diverted under this application 36-16156 is utilized in the processing plant, Clear Springs agrees that it will reduce the amount of water diverted under 36-7201 for industrial use in said plant by a like amount.

That water diverted into the processing plant is water that has been either used in manufacturing or drinking water/domestic use that ultimately then goes through the waste treatment system would not be discharged into Kanaka Creek.

Clear Springs agrees to install a measuring device for the groundwater diversion, of appropriate industry standards and accessible to the Watermaster. Record keeping shall be retained by the Watermaster and available to Clear Lakes.

That Clear Springs will withdraw the proposed Transfer No. 70606.

That Clear Springs will not divert a combined total of more than 10 cfs through the diversion of 36-7201 and 36-16156.

The parties agree to a stipulated diversion rate of 1.34 cfs for 36-16156.

The parties agree that at the stipulated diversion rate of 1.34 cfs, there is no apparent hydrologic evidence of any impact on the sources of water at the points of diversion for Clear Lakes.

That Clear Lakes agrees to withdraw it's protest.

Dated this 15 Day of September 2008

John R. MacMillan
Clear Springs Foods, Inc.

By John R. MacMillan
Its VICE PRESIDENT

Dated this 15 Day of September 2008

GREGORY KASLO
Clear Lakes Trout, Inc.

By GREGORY KASLO
Its Vice-President