

**EXHIBIT LWL-28**

AMENDMENT AFFECTING MARINA COAST WATER DISTRICT AND J.G. ARMSTRONG  
FAMILY MEMBERS  
TO  
ANNEXATION AGREEMENT AND GROUNDWATER MITIGATION FRAMEWORK  
FOR  
MARINA AREA LANDS

SUBJECT: Restructuring of Financing and Planning Provisions  
Between Marina Coast Water District and J.G. Armstrong  
Family Members

1. Purpose. The purpose of this Amendment is to amend the terms and conditions for reserving certain lands on the Armstrong Ranch for planning purposes for Marina Coast Water District.

2. Authority. This Amendment is entered into under the authority of the California Water Code and paragraph 18 of the 1996 "ANNEXATION AGREEMENT AND GROUNDWATER MITIGATION FRAMEWORK FOR MARINA AREA LANDS". Paragraph 18 provides, "This Agreement and Framework may be amended only by a writing signed by the Parties affected by the amendment." The J.G. Armstrong Family and the Marina Coast Water District are the Parties affected by this Amendment.

3. DEFINITIONS AND DESIGNATIONS. The following definitions and designations apply to this Amendment:

3.1 Parties.

3.1.1 Marina Coast Water District ("MCWD"). A political subdivision of the State of California, located in Monterey County, governed by MCWD's Board of Directors.

3.1.2 J. G. Armstrong Family Members ("Armstrong"). The owners of the Armstrong Ranch in the Marina area of Monterey County.

3.2 Amendment. This Amendment to the 1996 Mitigation Framework.

3.3 Armstrong Ranch. About 1850 acres of land in the Marina area, as shown on Exhibit "C" to the 1996 Mitigation Framework.

3.4 Basin. The Salinas River Groundwater Basin.

3.5 CEQA. The California Environmental Quality Act, Public Resources Code sections 21000 and following.

3.6 City of Marina ("City"). An incorporated municipality within Monterey County, organized and operating under the laws of the State of California, governed by its City Council.

3.7 CSIP. The Castroville Seawater Intrusion Project, a distribution system project already approved and being implemented by MCWRA to provide reclaimed water for irrigation in the Castroville Area of Monterey County.

3.8 Effective Date. This Amendment shall become effective when executed by Armstrong and MCWD.

3.9 1996 Mitigation Framework. The 1996 "ANNEXATION AGREEMENT AND GROUNDWATER MITIGATION FRAMEWORK FOR MARINA AREA LANDS" signed by the Parties to this Amendment and by other parties, and the supplement thereto dated July 23, 1996 between Armstrong and MCWD .

3.10 Monterey County Water Resources Agency ("MCWRA"). A water and flood control agency created by the State of California, with jurisdiction coextensive with Monterey County, governed by the Monterey County Water Resources Agency Board of Supervisors.

3.11 Ord Community. The lands of the former Fort Ord Military Reservation to which MCWD provides water and sewer services.

3.12 SVWP. The Salinas Valley Water Project, as described in materials submitted to the voters in 2003.

3.13 Zones. Zones 2 and 2A of the MCWRA, which are the zones of benefit and assessment for the MCWRA's Nacimiento and San Antonio reservoirs; Zone 2B of the MCWRA, which is the Zone of benefit and assessment for the CSIP, and Zone 2C of the MCWRA, which is a consolidated zone of Zones 2 and 2A and additional lands benefiting from the SVWP.

4. FACTS AND CIRCUMSTANCES. This Amendment is entered into with regard to the following facts and circumstances:

4.1 Changed Circumstances. The Parties entered into the 1996 Mitigation Framework in 1996. Since then, seawater intrusion has continued to advance inland, to adversely affect farming operations on and therefore the economic viability of the Armstrong Ranch, and to cause MCWD to be concerned about the long-term quality of water in the wells used by MCWD to provide potable water to the Ord Community. Planning and implementation of mitigation measures for seawater intrusion has been slower than was contemplated by the 1996 Mitigation Framework, and this has affected the timing for MCWD's plans for acquiring the area of the Armstrong Ranch reserved under the 1996 Mitigation Framework.

4.2 Mutual Mitigation and Planning Interests. Armstrong and MCWD have a continuing, mutual interest in effective planning to mitigate the effects of seawater intrusion and secure supplies of water suitable for their respective needs. This Amendment is intended to provide modified and additional terms and conditions to facilitate such planning.

5. AMENDMENT TO 1996 MITIGATION FRAMEWORK.

5.1 Effect of Amendment. This Amendment shall be interpreted and enforced as a part of the 1996 Mitigation Framework, with the changes to terms and conditions specified in this Amendment. The 1996 Mitigation Framework shall not be deemed changed by implication.

1.2 Reservation of lands for MCWD.

5.2.1 MCWD Reserved Area . Armstrong's obligation to reserve for MCWD the "MCWD Reserved Area" and the non-exclusive easements in favor of MCWD as described in the 1996 Mitigation Framework shall be extended to midnight on June 30, 2010, on the condition that MCWD makes the option payments when and as provided in this Amendment. The cost of living formula contained in paragraph 6.10.2 of the 1996 Mitigation Framework shall apply to all purchases made after June 30, 2003.

(a) If MCWD does not take and use the reserved area and easements as provided in the 1996 Mitigation Framework and this Amendment by June 30, 2010, but does need the easements, the Parties will cooperate in the manner specified in paragraph 6.10.1 of the 1996 Mitigation Framework and the July 23, 1996 supplement thereto. If MCWD desires to install a water pipeline prior to making its initial purchase, such water pipeline shall be installed within or as close as possible to the "36"  $\phi$  Salinas interceptor w/20' permanent easement" as shown on Exhibit C to the 1996 Mitigation Framework.

5.2.2 Payment by MCWD. Beginning on December 1, 2003, and each six months thereafter on June 1 and December 1, through December 2009, MCWD shall pay to Armstrong , as consideration for MCWD to have the extended option to take the MCWD Reserved Area and easements, the sum of Forty-five Thousand Dollars (\$45,000.00), until the Armstrong Ranch obtains the right to use water from the CSIP and the SVWP, or Armstrong advises MCWD in writing that Armstrong will not seek either such right for the Armstrong Ranch, whichever occurs first. Thereafter, each payment shall be Fifty Thousand Dollars so long as the option is in effect. Any such payments made or to be made by MCWD shall be credited against the purchase price of any portion of the MCWD Reserved Area and easements ultimately taken by MCWD, and shall be included in computing annexation fees, capacity charges and service charges charged by MCWD for the part of the Armstrong Ranch to which the payments made by MCWD to Armstrong relate.

6. MUTUAL SUPPORT FOR PLANNING.

6.1 MCWD Support for Armstrong Ranch Use of Water from CSIP and SVWP. The parties agree that it is in the best interests of each party that the Armstrong Ranch be included within the area of use for water from the CSIP and the SVWP. Such inclusion would allow that portion of the Armstrong Ranch not being developed for residential purposes to receive agricultural irrigation water from the CSIP and the SVWP. This, in turn, would benefit both parties and the public by minimizing Armstrong's potential need to pump from any of the aquifers underlying the Ranch and thereby contribute to the integrity of those aquifers and to the mitigation of seawater intrusion in the Marina-Fort Ord area. Therefore, MCWD will plan for and staunchly support the inclusion within the area of use for water from the CSIP and the SVWP of such portion of the Armstrong Ranch as is requested, in writing, by Armstrong. Such support shall include, but is not limited to, the following:

6.1.1 The making of timely written and oral statements to all persons and entities who, in the judgment of either Armstrong or MCWD (a) have the ability or capacity to influence or impact the location of the boundaries of the area of use for water from the CSIP and the SVWP, or (b) have authority to decide or determine the location of the boundaries of the area of use of the CSIP and the SVWP.

6.1.2 Technical, managerial and legal staff support by members of the MCWD staff as reasonably requested by Armstrong, to prepare and make the written and oral statements of support hereinabove referred to in paragraph 6.1.1. The parties have each determined that this undertaking is consistent with their respective objectives, policies and interests and is in the best interest of the public.

7. RECORDATION. Upon execution of this Amendment by the Parties, a memorandum of the option provided by this Amendment shall be recorded in the office of the Monterey County Recorder. All signatures shall be notarized as necessary to record the memorandum.

8. DISPUTE RESOLUTION PROCEDURE. The dispute resolution procedure provided in the 1996 Mitigation Framework shall apply equally to disputes under this Amendment.

9. WAIVER OF RIGHTS. Any waiver at any time by any party hereto of its rights with respect to a default or any other matter arising in connection with this Amendment shall not be deemed to be a waiver with respect to any other default or matter. None of the covenants or agreements herein contained can be waived except by the written consent of the waiving party.

10. NOTICES. All notices and demands required under Amendment shall be deemed given by one party when delivered personally to the principal office of the other party; when faxed to the other party, to the fax number provided by the receiving party; or five days after the document is placed in the United States mail, first class, registered mail, or certified mail, postage prepaid, addressed to the other party as follows:

To MCWD: 11 Reservation Road  
Marina, CA 93933-2099  
Phone No.: (408) 384-6131  
Fax No.: (408) 384-2479

To Armstrong: John A. Armstrong  
270 River Road  
Salinas, CA 93908  
Phone No.: (408) 455-1907  
Fax No.: (408) 455-2817

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.

11. SEVERABILITY. If any one or more of the covenants or agreements set forth in this Amendment on the part of MCWD or Armstrong to be performed should be contrary to any provision of law or contrary to the policy of law to such extent as to be unenforceable in any court of competent jurisdiction, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements and shall in no way affect the validity of this Amendment and the 1996 Mitigation Framework.

12. PARAGRAPH HEADINGS. Paragraph headings in this Amendment are for convenience only and are not to be construed as a part of this Amendment or in any way limiting or amplifying the provisions hereof.

13. SUCCESSORS AND ASSIGNS. This Amendment and all the terms, covenants, agreements and conditions herein contained shall inure to the benefit of and be binding upon the successors and assigns of the Parties hereto.

14. NEGOTIATED TERMS. This Amendment has been arrived at through negotiation between the Parties. Neither party is to be deemed the party which prepared this Amendment within the meaning of Civil Code section 1654.

15. FUTURE AMENDMENT. This Amendment may be amended only by a writing signed by the Parties affected by the amendment.

16. PAST AMENDMENT. Except as supplemented by the July 23, 1996 Supplement and this Amendment, as between MCWD and Armstrong there are no other amendments to the 1996 Mitigation Framework, and the same remains in full force and effect as so supplemented and amended.

17. COUNTERPARTS. This Amendment 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.

IN WITNESS WHEREOF, the Parties execute this Amendment as follows:

Dated: June 30, 2003

MARINA COAST WATER DISTRICT

By 

Kenneth Nishi  
President, Board of Directors

By 

Michael D. Armstrong  
Secretary, Board of Directors

J.G. ARMSTRONG FAMILY

Dated: \_\_\_\_\_, 2003

JAY M. ARMSTRONG FAMILY LIMITED  
PARTNERSHIP

\_\_\_\_\_  
General Partner

Dated: \_\_\_\_\_, 2003

SANDRA ARMSTRONG MURRAY REVOCABLE  
TRUST UTA dated March 7, 1989

By \_\_\_\_\_

DARRELL L. MURRAY, Trustee

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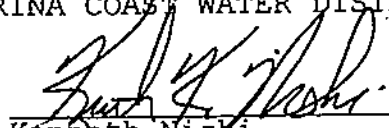
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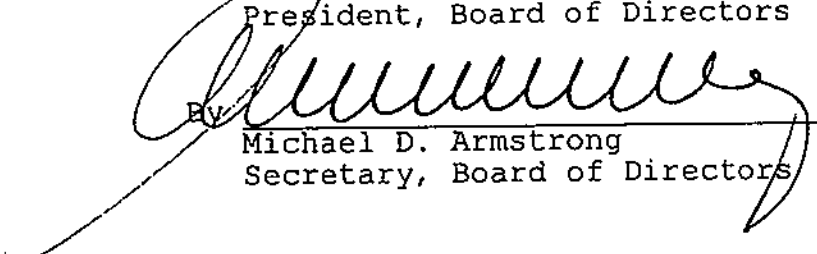
Dated: June 30, 2003

MARINA COAST WATER DISTRICT

By

  
Kenneth Nishi  
President, Board of Directors

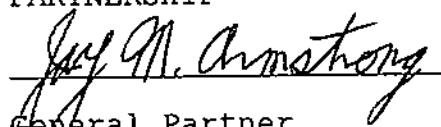
By

  
Michael D. Armstrong  
Secretary, Board of Directors

J.G. ARMSTRONG FAMILY

Dated: 22 May, 2003

JAY M. ARMSTRONG FAMILY LIMITED  
PARTNERSHIP

  
General Partner

Dated: \_\_\_\_\_, 2003

SANDRA ARMSTRONG MURRAY REVOCABLE  
TRUST UTA dated March 7, 1989

By

\_\_\_\_\_  
DARRELL L. MURRAY, Trustee

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MARINA COAST WATER DISTRICT

By 

Kenneth Nishi  
President, Board of Directors

By 

Michael D. Armstrong  
Secretary, Board of Directors

J.G. ARMSTRONG FAMILY

Dated: \_\_\_\_\_, 2003

JAY M. ARMSTRONG FAMILY LIMITED  
PARTNERSHIP

\_\_\_\_\_  
General Partner

Dated: 5/22/03, 2003

SANDRA ARMSTRONG MURRAY REVOCABLE  
TRUST UTA dated March 7, 1989

By 

DARRELL L. MURRAY, Trustee

Dated: 5/21, 2003

THE LOIS AND CLYDE JOHNSON, JR.,  
1989 IRREVOCABLE TRUST

By Clyde W. Johnson III Trustee  
CLYDE W. JOHNSON, III, Trustee

Dated: 5/21, 2003

CLYDE W. JOHNSON, III and LAURENA  
JOHNSON FAMILY LIMITED PARTNERSHIP,  
a California limited partnership

By Clyde W. Johnson III  
General Partner

Dated: May 20, 2003

John A. Armstrong II  
JOHN A. ARMSTRONG, II  
aka JOHN ARMSTRONG

Dated: \_\_\_\_\_, 2003

EDWIN A. JOHNSON

Dated: \_\_\_\_\_, 2003

SUSANNE IRVINE ARMSTRONG

Dated: \_\_\_\_\_, 2003

THE LOIS AND CLYDE JOHNSON, JR.,  
1989 IRREVOCABLE TRUST

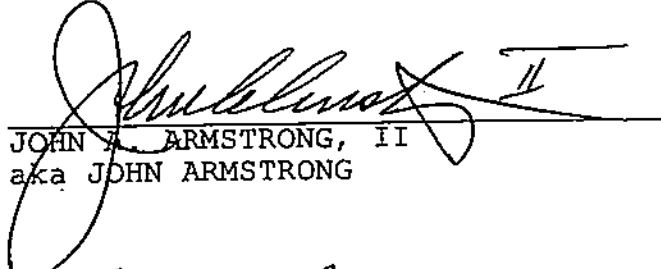
By \_\_\_\_\_  
CLYDE W. JOHNSON, III, Trustee

Dated: \_\_\_\_\_, 2003

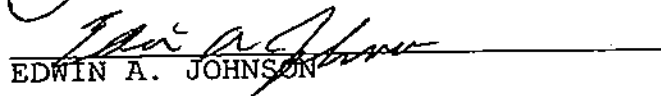
CLYDE W. JOHNSON, III and LAURENA  
JOHNSON FAMILY LIMITED PARTNERSHIP,  
a California limited partnership

By \_\_\_\_\_  
General Partner

Dated: May 20, 2003

  
\_\_\_\_\_  
JOHN A. ARMSTRONG, II  
aka JOHN ARMSTRONG

Dated: May 24, 2003

  
\_\_\_\_\_  
EDWIN A. JOHNSON

Dated: \_\_\_\_\_, 2003

\_\_\_\_\_  
SUSANNE IRVINE ARMSTRONG

Dated: \_\_\_\_\_, 2003

THE LOIS AND CLYDE JOHNSON, JR.,  
1989 IRREVOCABLE TRUST

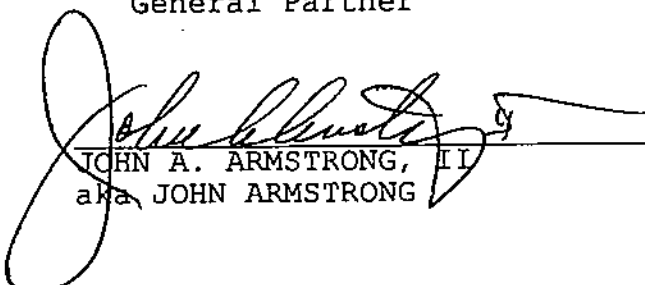
By \_\_\_\_\_  
CLYDE W. JOHNSON, III, Trustee

Dated: \_\_\_\_\_, 2003

CLYDE W. JOHNSON, III and LAURENA  
JOHNSON FAMILY LIMITED PARTNERSHIP,  
a California limited partnership

By \_\_\_\_\_  
General Partner

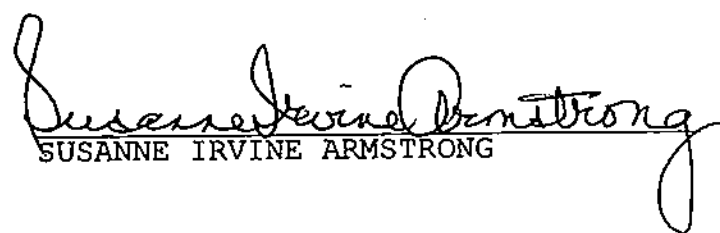
Dated: May 10, 2003

  
JOHN A. ARMSTRONG, II  
aka JOHN ARMSTRONG

Dated: \_\_\_\_\_, 2003

EDWIN A. JOHNSON

Dated: May 22, 2003

  
SUSANNE IRVINE ARMSTRONG

Dated: \_\_\_\_\_, 2003

THE LOIS AND CLYDE JOHNSON, JR.,  
1989 IRREVOCABLE TRUST

By \_\_\_\_\_  
CLYDE W. JOHNSON, III, Trustee

Dated: \_\_\_\_\_, 2003

CLYDE W. JOHNSON, III and LAURENA  
JOHNSON FAMILY LIMITED PARTNERSHIP,  
a California limited partnership

By \_\_\_\_\_  
General Partner

Dated: May 20, 2003

  
JOHN A. ARMSTRONG, II  
aka JOHN ARMSTRONG

Dated: \_\_\_\_\_, 2003

EDWIN A. JOHNSON

Dated: \_\_\_\_\_, 2003

SUSANNE IRVINE ARMSTRONG

Dated: May 23, 2003

TRUST FOR THE BENEFIT OF MARY JANET ARMSTRONG WEBER as set forth in the Order Settling Report of Trustees due to the death of Lois Armstrong, etc., in the Estate of Irvine Armstrong, also known as James Irvine Armstrong, Deceased, recorded January 4, 1988, in Reel 2191, Official Records of Monterey County at page 643

By Susanne Irvine Armstrong  
SUSANNE IRVINE ARMSTRONG, Trustee

By \_\_\_\_\_  
JAMES IRVINE ARMSTRONG, JR.  
Trustee

By John A. Armstrong  
JOHN A. ARMSTRONG, Trustee

Dated: \_\_\_\_\_, 2003

THE IRVINE ARMSTRONG, JR. AND CAROL V. ARMSTRONG REVOCABLE TRUST UTA dated December 12, 1995

By \_\_\_\_\_  
IRVINE ARMSTRONG, JR., Trustee

By \_\_\_\_\_  
CAROL V. ARMSTRONG, Trustee

Dated: \_\_\_\_\_, 2003

TRUST FOR THE BENEFIT OF MARY JANET ARMSTRONG WEBER as set forth in the Order Settling Report of Trustees due to the death of Lois Armstrong, etc., in the Estate of Irvine Armstrong, also known as James Irvine Armstrong, Deceased, recorded January 4, 1988, in Reel 2191, Official Records of Monterey County at page 643

By \_\_\_\_\_  
SUSANNE IRVINE ARMSTRONG,  
Trustee

By *James Irvine Armstrong, Jr.*  
JAMES IRVINE ARMSTRONG, JR.  
Trustee *trustee*

By *John A. Armstrong, Trustee*  
JOHN A. ARMSTRONG, Trustee

Dated: \_\_\_\_\_, 2003

THE IRVINE ARMSTRONG, JR. AND CAROL V. ARMSTRONG REVOCABLE TRUST UTA dated December 12, 1995

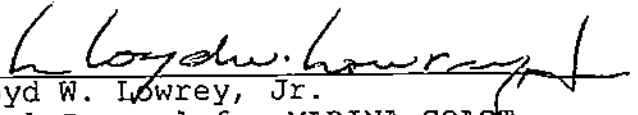
By *Irvine Armstrong, Jr.* *trustee*  
IRVINE ARMSTRONG, JR., Trustee

By *Carol V. Armstrong, trustee*  
CAROL V. ARMSTRONG, Trustee

APPROVED AS TO FORM:

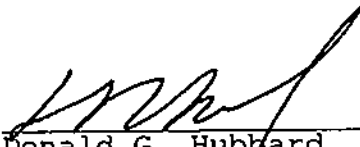
Dated: June 30, 2003

NOLAND, HAMERLY, ETIENNE & HOSS  
A Professional Corporation

By   
Lloyd W. Lowrey, Jr.  
Legal Counsel for MARINA COAST  
WATER DISTRICT

Dated: June 30, 2003

HUBBARD & Hubbard LLP

By   
Donald G. Hubbard  
Legal Counsel for J.G. ARMSTRONG  
FAMILY MEMBERS