

AQUEOUS

INTERNATIONAL

December 8, 2009

Gary White, Executive Director
Sitka Economic Development Association
329 Harbor Drive #212
Sitka, Alaska 99835

Gary,

On behalf of our investors and partners, please consider this letter formal notice of our serious interest in acquiring the Sitka Bulk Water Export license. We will need a period of three years beginning at signature in early 2010 to export our first lift. The three years are necessary for us to design, build, test, and initiate operations of our:

- Bulk water loading system in Sitka that accesses our tanker anchorage from your pipe
- Our first of nine tankers
- Bulk water off loading system in one of our markets in Asia

As we only have the TAB contract from which to base our initial approach to these negotiations, if there are other items of concern that are not presented in that contract, please advise soonest, so that we can alert our partners, investors, and legal counsel of such information and begin our negotiations with you.

We are prepared, upon mutual agreement of time/date (after January 21, 2010), to make a formal presentation to your Board of Directors and to the City and Borough of Sitka of our proposal.

Based on the work we have undertaken over many months in 2009 as well as the ongoing interest by AQUEOUS in the development of this bulk water source, we are confident that we can perform consistent with the bulk water license agreement, if similar to the TAB contract.

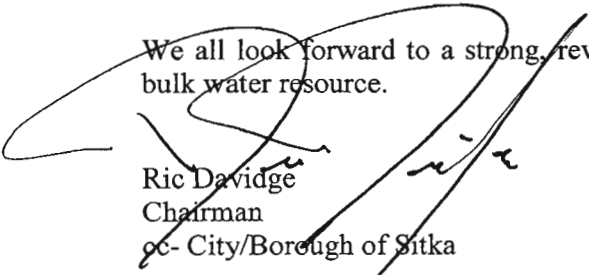
We will present, at the appropriate time, a pre-payment towards the first shipment of water from Sitka. We understand, based on our review of your experience with TAB, that this payment will be no less than \$250,000 US.

Our business plan also envisions other very attractive incentives to the community of Sitka that will be of significant benefit to the community in other areas of your economy.

Our Alaskan engineering group (PND) will be in contact with you soon after you officially receive this letter to further review the design, construction, and interface of our off shore loading system with the tidewater pipe you have already provided. If you have information they can use, please advise.

Finally, it would be most helpful if you could keep use informed of your FERC process to increase the capacity of your hydro generation system using Blue Lake. We believe the advance of your energy interests should not harm our bulk export interests, but it is important that we initiate ongoing discussions to better understand the status and impacts of this development.

We all look forward to a strong, rewarding, and cooperative relationship in the development of Sitka's bulk water resource.



Ric Davidge
Chairman
cc- City/Borough of Sitka

Not a dream - inevitable!

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