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May 16, 2006

David A. Berger
General Manager
Monterey Peninsula Water
Management District
P. O. Box 85
Monterey, California 93942

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MPWMD

Re: Legal Services Proposal for Fiscal Years 2006/7 and 2007/8

Dear Mr. Berger:

This letter details our proposal to renew the existing legal services agreement for the Monterey Peninsula Water Management District commencing with the 2006-2007 fiscal year on July 1, 2006. I have been privileged to represent the Water Management District in the capacity of General Counsel continuously since March, 1979. During this time a close and frank working relationship has been established with you, the District Board of Directors, appointed officials, and staff. I hope that this relationship will continue.

This firm continues to specialize in the representation of public agencies. I propose to continue as the lead attorney for the Water Management District on substantially the same terms and conditions that have applied to the past two-year contract. The Water Management District presently receives both retained and extraordinary legal services from this firm. For each of the past twenty-four months, our firm has provided forty-five (45) hours of service at our retained service rate. In Fiscal Year 2005/6 this rate was one hundred sixty five dollars (\$165) per hour. Additional efforts beyond retained hours have been provided at the rate of one hundred seventy dollars (\$170) per hour.

In accord with past practice, we propose to renew this legal services agreement for a two (2) year term, ending June 30, 2008. As in the past the agreement may be terminated at any time during its term, without cause, by the affirmative vote of five (5) members of the Board.

We propose to adjust rates and increase our professional liability insurance, but do not propose any other change to the terms or conditions of our agreement. Effective July 1, 2006, we propose to increase retained and extraordinary service rates by ten dollars (\$10) per hour, resulting in rates of one hundred seventy five dollars (\$175) and one hundred eighty dollars (\$180) per hour for retained and extraordinary legal services, respectively. An identical modification is proposed to take effect July 1, 2007, with rates then at one hundred eighty five dollars (\$185) and one hundred ninety dollars (\$190) per hour for retained and extraordinary legal services, respectively.

The rationale for the proposed increase to rates is several fold. First and foremost, market rates for

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legal services continue to exceed, by a large margin, the rates charged for our services. Secondly, we have experienced a variety of cost increases that exceed inflation, including increases to the cost of professional liability insurance and library maintenance. Further, we are currently installing a state-of-the-art data base and office management system to transform the means by which we can respond to your needs. In a further effort to ensure prompt access to legal services, we have hired a full time associate attorney, Heidi A. Quinn. Ms. Quinn will primarily be involved with City Attorney tasks, but will also be available to respond any time lead counsel David C. Laredo may not be available.

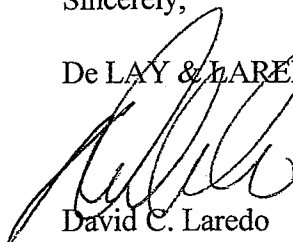
As you know, we rarely tender a separate charge for support services, and then only with advance approval of the General Manager occasioned by extraordinary assignments. In accord with our past practice, you shall have advance notice and an opportunity to approve our assignment of duties to any associate attorney who may work on your behalf.

David, I am proud of my length of service with the Water Management District, and continue to enjoy working with you, the board and its staff. I look forward to maintaining and enhancing our relationship.

If you have any question, comment, or concern, do not hesitate to contact me.

Sincerely,

De LAY & LAREDO

A handwritten signature in black ink, appearing to read 'David C. Laredo', is written over the typed name 'De LAY & LAREDO'.

David C. Laredo

DCL: wg