

*GUST
ROSENFELD*
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November 28, 2017

Kay Macuil, City Attorney
City of San Luis
1090 E. Union Street
P.O. Box 1170
San Luis, Arizona 85349

Re: Legal Representation – Integrated Water Matter

Dear Kay:

I am writing to acknowledge and thank you for retaining our law firm to represent the City of San Luis ("San Luis") as set forth below. It is our understanding that you have presently retained this firm to represent San Luis with respect to a construction dispute relating to design and installation problems of managed filtration wells.

I am enclosing for your information our "Terms of Engagement for Legal Services" Addendum which sets forth certain information concerning the business aspects of your retention of our firm. We hope that you find this information useful.

Michael Woodlock will serve as the attorney primarily responsible for this firm's representation of San Luis in this matter, and therefore will serve as your primary contact at this firm. As stated in the Addendum, other professionals will also provide services depending upon the way in which matters develop.

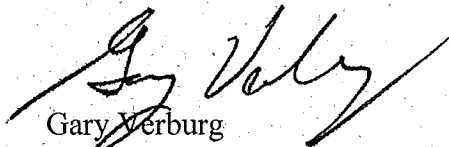
The Addendum sets forth the present range of standard hourly rates for me, our other attorneys, paralegals, law clerks and project assistants. Our firm will perform at a substantial discount over our standard rates. The discounted rate shall be \$240.00 per hour. Our standard hourly rates are subject to future changes as noted in the Addendum.

At this juncture, it is difficult to provide a useful estimate of the time (i.e., fees) and expenses necessary to undertake and complete this matter. However, as we proceed, we would be pleased to work with you to establish a budget for this matter if you so desire.

We appreciate being given the opportunity to serve you. Of course, if you have any questions or if there are any matters set forth in these documents which you would like to discuss, please contact me.

Once again, thank you for the confidence that you have placed in our firm by retaining us. We look forward to working with you.

Very truly yours,



Gary Verburg
For the Firm

GJV/bes

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Attachment (Terms of Engagement for Legal Services)

GUST ROSENFELD P.L.C.

Terms of Engagement for Legal Services

This document sets forth the terms of our engagement as your lawyers. Unless modified in writing by mutual agreement, these terms are an integral part of our agreement with you. Therefore, we ask that you review this statement carefully. You should retain the original of this document. Please contact us promptly if you have any questions.

The Scope of Our Work

You should have a clear understanding of the legal services we will provide. Any questions that you have should be dealt with promptly.

We will at all times act on your behalf to the best of our ability. Any expressions on our part concerning the outcome of your legal matters are expressions of our best professional judgment, but are not guarantees. Such opinions are necessarily limited by our knowledge of the facts and are based on the state of the law at the time they are expressed.

Who Will Provide the Legal Services

Customarily, each client of the firm is served by a primary attorney contact. The primary attorney should be someone in whom you have confidence and with whom you enjoy working. You are free to request a change of primary attorney at any time. Subject to the supervisory role of the primary attorney, your work, or parts of it, may be performed by other lawyers and legal assistants in the firm. Such delegation may be for the purpose of involving lawyers or legal assistants with special expertise in a given area or for the purpose of providing services on the most efficient and timely basis. Whenever practicable, we will advise you of the names of those attorneys and legal assistants who work on your matters.

How Fees Will Be Set

The firm's fee structure is based upon hourly rates for all attorneys, paralegals and law clerks, unless otherwise specified. We record time expended on hourly fee matters in increments of one tenth of an hour, and calculate our fees on that basis.

Standard hourly rates for the firm presently range from \$225 to \$495 for attorneys; from \$200 to \$215 for paralegals; and \$160 for law clerks. These rates are

subject to increase, normally once per year. Advance notice of any increase will be provided in writing before any fees are charged at an increased rate.

Statements for services rendered will be submitted monthly, to more effectively monitor time and expenses as they are incurred. Our computerized billing format will provide you with a description of the efforts we have undertaken on your behalf.

We are often requested to estimate the amount of fees and costs likely to be incurred in connection with a particular matter. Whenever possible, we will furnish such an estimate based upon our professional judgment, but always with a clear understanding that it is not a maximum or fixed fee quotation. The ultimate cost frequently is more or less than the amount estimated.

For certain well-defined services we may quote a flat fee. It is our policy not to accept representations on a flat fee basis except in such defined-service areas or pursuant to a special arrangement tailored to the needs of a particular client. In all such situations, the flat fee arrangement will be expressed in a letter, setting forth both the amount of the fee and the scope of the services to be provided.

Out-of-Pocket Expenses

We typically incur, and advance on behalf of our clients, a variety of out-of-pocket costs arising in connection with legal services. These include charges made by government agencies and service vendors as well as clerical charges. Whenever such costs are incurred, we will carefully itemize and bill them. Typical of such costs are long distance telephone charges; messenger, courier, express delivery charges and certain other postage; facsimile; printing and reproduction costs; filing fees; deposition and transcript costs; witness fees; travel expenses; charges made by outside experts and consultants, including accountants, appraisers and other legal counsel (unless arrangements for direct billing have been made); and computer assisted legal research charges. We incur outside costs as agents for our clients and incur internal expenses on behalf of our clients, who agree to pay these costs on a regular basis.

Retainer and Trust Agreements

New clients of the firm are routinely asked to deposit a retainer with the firm. This retainer will be held in trust to be applied to the final bill. By mutual agreement it may be applied against earlier bills. At the conclusion of our legal representation or at such time as the deposit is unnecessary or is appropriately reduced, the remaining balance or an appropriate part of it will be returned to you. If the retainer deposit proves insufficient to cover current expenses and fees, it may have to be increased. Deposits that are received to cover specific items will be disbursed as provided in our

agreement with you, and you will be notified from time to time of the amounts applied or withdrawn.

All trust deposits we receive from you, including retainers, will be placed in a trust account for your benefit. By law, your deposit must be placed in a pooled account if it is not expected to earn a net return, taking into consideration the size and anticipated duration of the deposit and the transaction costs. Other trust deposits will also be placed in the pooled account unless you request a segregated account. By law, interest earned on the pooled account is payable to a charitable foundation established by the Arizona Supreme Court. Interest earned on a segregated trust account will be added to the deposit for your benefit and will be includable in your taxable income.

Termination

You may terminate our representation at any time, with or without cause by notifying us. If such termination occurs, your papers and property will be returned to you promptly. Our own files pertaining to the case will be retained. Your termination of our services will not affect your responsibility for payment of legal services rendered and out-of-pocket costs incurred before termination and in connection with an orderly transition of the matter.

We are subject to the Code of Professional Responsibility adopted by the Arizona Supreme Court, which lists several types of conduct or circumstances that require or allow us to withdraw from representing a client, including nonpayment of fees or costs, misrepresentation or failure to disclose material facts, action contrary to our advice, and conflict of interest with another client. We try to identify in advance and discuss with our clients any situation that may lead to our withdrawal, and if withdrawal ever becomes necessary, we immediately give the client written notice of our withdrawal.

Billing Arrangements and Terms of Payment

We will bill you on a regular basis, normally each month, for both fees and disbursements. You agree to make payment within 10 days of receiving our statement. Fees and disbursements not paid within 60 days are subject to a late charge of 1.5 percent per month (18% per annum).

We will give you prompt notice if your account becomes delinquent, and you agree to bring the account or the retainer deposit current. If the delinquency continues and you do not arrange satisfactory payment terms, we will withdraw from the representation and pursue collection of your account. You agree to pay the costs of collecting the debt, including court costs, filing fees, and a reasonable attorney's fee.

Binding Arbitration of Fee Disputes

If you disagree with the amount of our fee, please take up the question with your primary attorney contact or with the firm's executive committee. Typically, such disagreements are resolved to the satisfaction of both sides with little inconvenience or formality. Any dispute relating to payment of attorney fees which cannot be resolved in this manner shall be submitted to binding arbitration before the Committee of the State Bar of Arizona on Arbitration of Fee Disputes.

Notice Required by Law Regarding Privacy of Your Personal Information

Federal law requires financial service providers, which may include attorneys, to inform their non-business clients of their policies regarding protecting the privacy of client information. Gust Rosenfeld attorneys are bound by professional standards of confidentiality more stringent than those required by the Federal law. The Firm will protect our clients' confidential information.

Types of Nonpublic Personal Information That We Collect

We only collect nonpublic personal information about our clients that is provided to us by clients or obtained by us with their authorization.

Parties to Whom We Disclose Information

For current and former clients, we do not disclose any nonpublic personal information obtained in the course of our practice except as required by law or permitted by our clients.

Protecting the Confidentiality and Security of Current and Former Clients' Information

We retain records relating to professional services that we provide so that we are better able to assist our clients with their professional needs and, in some cases, to comply with professional guidelines. In order to guard clients' nonpublic personal information, we maintain physical and procedural safeguards that comply with professional standards for law firms.