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October 11, 1985

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JAMES H. KRIEGER (1913-1975)  
EUGENE BEST (1893-1981)

Mayor and City Council  
of the City of Redlands  
City Hall  
30 Cajon Street  
Redlands, California 92373

Re: Proposal Regarding Legal Services in  
Connection with the Issuance of  
Certificates of Participation

Ladies and Gentlemen:

This letter will serve as a proposal on the part of Best, Best & Krieger to serve as special counsel in connection with the authorization, issuance and sale of Certificates of Participation (the "Certificates") pursuant to an installment sale financing arrangement by the City to finance the acquisition, construction, and installation of a water treatment plant and related facilities. We propose to perform the following services on the basis hereinafter set forth:

We will consult with and advise City officials and the City's financial consultant as to the best legal methods of accomplishing the objectives of the City in connection with the financing and the proceedings for the issuance, sale and delivery of the Certificates.

We will prepare and draft all agreements, resolutions, notices, certificate forms and all other legal documents required by California law for the issuance, sale and delivery of the Certificates. We will provide such assistance to the City and Merrill Lynch Capital Markets, the underwriter for the issue, as may be required in preparing and reviewing any official statement to be used in connection with the offer and sale of the Certificates.

LAW OFFICES OF  
BEST, BEST & KRIEGER

Mayor and City Council  
October 11, 1985  
Page 2

We will also examine all proceedings for the issuance and sale of the Certificates, step by step as taken, and when the Certificates are sold, will issue our opinion or opinions upon the validity of the Certificates and on the exemption of the interest on the Certificates from state and federal income taxation to the original purchaser of the Certificates. We will also attend all hearings and all meetings in connection with the proceedings where attendance is requested.

For the services to be rendered pursuant to this proposal, including the preparation and supervision of proceedings, examination of each step as taken, and the issuance of our unqualified legal opinion or opinions attesting to the validity of the proceedings and the issuance of the Certificates, the City will pay to us a base fee, exclusive of out-of-pocket costs and expenses, which is the greater of \$30,000 or an amount calculated on the basis of the percentages and amounts set forth below:

.005 percent of the first \$6 million of the amount of the Certificates issued, plus

.0015 percent of the next \$9 million thereof, plus

.0010 percent of the amount thereof, if any, over \$15 million.

Our fee as special counsel will be payable upon issuance of the Certificates, pursuant to a requisition of the City presented to the Trustee.

In the event we are requested to perform additional work outside of our services as special counsel, we will be paid additional compensation therefor at the hourly rates of the attorneys performing such services; provided, however, there shall be no such additional compensation due us without the prior approval by the City of the performance of such services.

In addition to the foregoing, we shall be reimbursed by the City for any out-of-pocket expenses incurred by us in the course of our employment, such as printing costs, long distance telephone calls, reproduction of

LAW OFFICES OF  
BEST, BEST & KRIEGER

Mayor and City Council  
October 11, 1985  
Page 3

documents, travel at the request of the City, and similar items.

Should the contemplated proceedings be abandoned or discontinued at any time and the Certificates not issued, we shall be paid a reasonable fee, based on the time expended and the hourly rates of the attorneys performing services, for all services rendered to that time.

If this arrangement is satisfactory to you, please authorize our employment according to the terms of this letter and return to us a copy of this letter executed by an authorized officer of the City.

We are looking forward to doing this work for you, and we will use our best efforts to obtain results beneficial to the City.

Respectfully submitted,



Richard T. Anderson  
of Best, Best & Krieger

/ms

TERMS OF EMPLOYMENT APPROVED  
THIS 15th DAY OF OCTOBER, 1985.



Authorized Officer of the  
City of Redlands