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Via E-Mail

Bill Hurst
Romaldo Community Water Company
bil@silcom.com

Re: Proposed Scope of Work

Dear Mr. Hurst:

Thank you for contacting us regarding the opportunity to assist the Romaldo Community Water Company. As we discussed in our telephone conversation this morning, this firm has extensive experience representing mutual water companies throughout California. For example, we are currently assisting a large mutual water company in the Central Valley (covering approximately 32,000 acres) with a reorganization to allow the company to provide municipal and industrial water service to its shareholders as well as its historical irrigation water service. We have also assisted a number of small mutual water companies with a variety of legal issues, including reorganizations, shareholder disputes, asset sales and regulation by the Department of Health Services (DHS).

We understand that the Romaldo Community Water Company is a small mutual water company that is currently classified as a state small domestic water system for purposes of DHS regulation, but that the company is likely to grow in the near future into a domestic water system. As you are aware, there are increased DHS regulations that result from such growth. In our experience, your plan to prepare for this transition before it occurs is extremely positive. We have seen several cases in which companies did not prepare for this transition, but were forced to react to the change once it had occurred, usually leading to increased regulatory scrutiny from DHS and greater expense.

Per our conversation, we would assist the Romaldo Community Water Company with the following specific legal matters:

- Review of the current articles of incorporation and bylaws;
- Revision of bylaws to clarify voting rights;

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- Revision of bylaws to create a process for equitable cost-sharing between existing and new water service connections for the expenses associated with making improvements required by DHS upon transition from a state small domestic water system to a domestic water system;
- Review of articles and bylaws for compliance with the laws regarding mutual water companies in California; and
- Review of articles and bylaws for compliance with corporate laws in California.

We estimate that it would take approximately 15 attorney hours to complete the tasks described above, with a maximum of 20 hours. The rate for both myself and Michelle Pickett, who would likely assist me with this matter, is \$350 per hour. Thus, the total project cost would range from approximately \$5,000 to \$7,000.

If you have any questions about this letter or other matters, please do not hesitate to contact me. I look forward to speaking with you again and possibly assisting the Romaldo Community Water Company with this matter.

Sincerely,

/ signed

C. Wesley Strickland
For HATCH & PARENT
A Law Corporation