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DEVELOPMENT

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July 26, 2012

Oversight Board to the San Gabriel
Redevelopment Agency Successor
Agency
Chairman Hamid Behdad
c/o City of San Gabriel
425 S. Mission Drive
San Gabriel, CA 91776
ATTN: Robin Scherr,
Economic Development Manager

Re: **Fee Agreement to Provide General Counsel Services to Oversight Board to San Gabriel RDA Successor Agency**

Dear Chairman Behdad and Members of the Oversight Board:

I am delighted to have been chosen to represent the Oversight Board as your General Counsel and I write to propose a form of agreement for our firm to assist the Oversight Board ("you") as your General Counsel in all matters pertaining to the responsibilities of the Oversight Board pursuant to AB 1X 26 and AB 1484. Colantuono & Levin, P.C. ("we" or "the firm") and all of its professionals are very pleased to have the opportunity to assist the Oversight Board in this way. This letter sets forth the basis upon which we will provide you legal services and bill you for services and costs. Because AB 1X 26 and AB 1484 require that all administrative costs of the Oversight Board, including costs for its direct legal representation, are the responsibility of the Successor Agency to the former San Gabriel Redevelopment Agency (RDA) ("the SA"), this fee agreement is made with both the Successor Agency (as the party responsible for the payment) and the Oversight Board as our client, subject to the disclosures and consent required by Rule 3-310(C) and (F) of the Rules of Professional Conduct (explained below). If it is acceptable, please have it executed on behalf of both the SA and the Oversight Board and return it to me. If you have questions or concerns about this form of agreement, please call me at the direct-dial number listed above.

The firm maintains a conflict of interest index which lists all clients of our firm and matters in which we represent them. We will not represent any party with an interest that may be

adverse to an indexed person without first determining if a professional conflict of interest would arise. We propose to index the following names with respect to this matter:

Client-affiliated parties: Oversight Board to the San Gabriel RDA Successor
Agency
Los Angeles County
Los Angeles County Library
Los Angeles County Board of Education
Los Angeles County Community College District

Adverse parties: Successor Agency to the San Gabriel Redevelopment
Agency
City of San Gabriel
San Gabriel Redevelopment Agency

We have listed the SA as an adverse party because the Oversight Board has approval authority over the SA's Recognized Obligation Payment Schedule (ROPS) and disposal of other former RDA assets, which may impact City of San Gabriel funding and former RDA asset retention. Please let me know if there are other parties with an interest in this issue that we should list, such as parties who may have an interest in receipt of RDA funding. Unless we hear from you to the contrary, we will assume that the above listing is accurate and complete.

We have reviewed our files and our conflicts index and have no other client relationships which would interfere with our ability to represent you in this matter with one exception: We are preparing to file a lawsuit against the Department of Finance (DoF) on behalf of a number of local cities and successor agencies to challenge the provisions of AB 1484 which purport to authorize the state to withhold property and sales taxes from cities to enforce the state's view of disputes involving SAs and ROPS. To ensure effective relief in that case, the State Board of Equalization (SBE) and the auditors of the counties in which the petitioning cities are located. As some petitioning cities are located in Los Angeles County, the Los Angeles County Auditor-Controller, in her official capacity, will be a nominal respondent in the case. We say "nominal," because we anticipate that the Attorney General will defend the case on behalf of the SBE and the DoF and that the County of Los Angeles will not be actively involved in the case. The City of San Gabriel and its SA have approached our firm about joining the coalition of cities and SAs in that case. We understand that you have considered this conflict and have agreed to waive it. If you require further information or advice regarding it, please let us know. You should feel free to consult independent counsel regarding it. By signing where indicated below, you consent to our including the City of San Gabriel and its SA as petitioners in that suit.

Because AB 1X 26 and AB 1484 require the administrative costs of the Oversight Board to be paid by the SA, and therefore the SA is to pay our bills directly, our obligations under Rule 3-310(F) will be implicated. That rule states:

A member shall not accept compensation for representing a client from one other than the client unless:

(1) There is no interference with the member's independence of professional judgment or with the client-lawyer relationship; and

(2) Information relating to representation of the client is protected as required by Business and Professions Code section 6068, subdivision (e)

We see no difficulty in complying with this rule, as our work will be for the Oversight Board, we will take our direction from the Oversight Board and preserve its secrets, and will not view the SA as our client for this representation. To the extent the SA is our client in the AB 1484 suit, it will not serve on the Client Relations Committee that guides our work in the case and it will pay its share of fees to the City of Tulare, which acts as Treasurer for the coalition and not to us directly.

By signing where indicated below, the Oversight Board agrees: (i) to retain us to represent it as provided in this letter, (ii) to our acceptance of payment from the SA and (iii) to our representation of the City of San Gabriel and its SA in the 1484 suit referenced above while simultaneously representing you. The Oversight Board should consider the pros and cons of granting this request. The pros include access to our representation as your General Counsel regarding all your obligations and authority pursuant to AB 1X 26 and AB 1484 and any amendments. The cons include the perception that we may have divided loyalties. We believe we can effectively represent you in this matter as we do not currently represent the City of San Gabriel or the SA. This, however, is a judgment the Oversight Board must make for itself. You should consult independent counsel, including counsel for your appointing agencies, if you feel the need for legal advice on this point. If we can provide further information to assist your consideration of this request, please let me know.

Although we anticipate that your monthly needs for legal services will not exceed 10 hours per month, the nature of the matter makes it impossible for us to guarantee the total fees that may be incurred on this matter, although we will make every effort to represent you as efficiently as possible. You will receive monthly statements informing you of the fees and costs incurred during the prior month.

I will have primary responsibility for your representation, and the firm will use other attorneys and legal assistants in the best exercise of our professional judgment. If at any time you have questions, concerns or criticisms, please let me know. Naturally, we expect you to keep us reasonably informed of significant developments in matters relating to this representation.

We review all statements before they are issued to ensure that the amount charged is appropriate. The statement for fees is simply the product of the hours worked multiplied by the hourly rates for the attorneys and legal assistants who did the work. We bill in increments of 1/10 of an hour.

Our hourly rates are based upon the experience, reputation and ability of the professional performing the services and for 2012 range between \$175 and \$425 per hour for attorneys' time, and between \$110 and \$145 for the time of paralegals and legal assistants. However, we will

agree to represent the Oversight Board at **\$225 per hour for the transactional (non-litigation) services of any of our attorneys, with a monthly cap of \$3,000 for all transactional (non-litigation) services.** We will **not** charge you travel time to attend meetings of the Oversight Board. In the unlikely event that the Oversight Board becomes involved in litigation, we agree to provide **litigation services at our standard rates which we will cap at \$300 hour** as a professional courtesy to you. Our rate structure in general and the rates of particular lawyers may be increased from time to time, and are usually adjusted as of the beginning of each calendar year.

It may be necessary to bill you for items such as, but not limited to, authorized travel, long-distance telephone calls, authorized mileage at the IRS rate, filing fees, photocopying, word processing, secretarial overtime, computerized legal research and the like. These items are separately itemized on our statement as "disbursements." These amounts will be billed in addition to our professional fees.

We will send you monthly statements, and expect payment within 30 days of the billing date. If payment is not received within 45 days of the billing date, we reserve the right to charge interest on the unpaid balance at the rate of one percent per month and to terminate our representation.

We rarely have disputes with clients over our fees. Nevertheless, you should be aware that you are entitled to require that any fee dispute be resolved by binding arbitration in Los Angeles County pursuant to the arbitration rules for legal fee disputes of the Los Angeles County Bar Association. We agree that all disputes between us regarding the services rendered or fees charged not resolved via County Bar fee arbitration will be submitted to binding arbitration in Los Angeles to be conducted by JAMS in accordance with its commercial arbitration rules. **YOU SHOULD REVIEW THIS PARAGRAPH CAREFULLY AND, IF YOU WISH, SEEK INDEPENDENT LEGAL COUNSEL REGARDING IT, AS YOU AND WE ARE AGREEING TO FOREGO SIGNIFICANT RIGHTS IN THE EVENT OF A DISPUTE BETWEEN US, INCLUDING THE RIGHT TO A JURY TRIAL.**

You have the right to terminate our representation at any time. We have the same right, subject to an obligation to give you reasonable notice to arrange alternative representation. In either circumstance, you agree to secure new counsel to represent you as quickly as possible and to cooperate fully in the substitution of the new counsel as counsel of record in any litigation in which we may subsequently agree to be involved. Notwithstanding the termination of our representation, you will remain obligated to pay to us all fees and costs incurred prior thereto.

I apologize for the formality of this letter, but we are required by California law to provide this information to you in writing. We are also required to inform you that we currently carry professional liability insurance.

Please review the foregoing and, if it meets with your approval, have a copy of this letter executed on behalf of the SA and the Oversight Board and returned to me by fax and in the enclosed envelope. If you have any questions, please feel free to call me at the direct-dial number above.

We look forward to representing you. Thank you for the opportunity to do so!

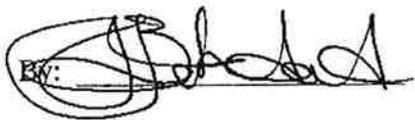
Very truly yours,

Teresa L. Highsmith

TLH:tlh

Enclosures (duplicate original and return envelope)

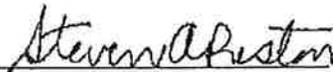
On behalf of the Oversight Board to the Successor Agency of the former San Gabriel Redevelopment Agency, I hereby agree to: (i) retain Colantuono & Levin, P.C. ("the firm") to provide legal services to the Oversight Board, as client, as described above; (ii) consent to the firm's acceptance of payment from the Successor Agency of the former San Gabriel RDA, and (iii) consent to the simultaneous representation of the Oversight Board as General Counsel and of the City of San Gabriel and its Successor Agency in the AB 1484 challenge as discussed above.

By: 

Date: 8/13/12

Chair Behdad, Oversight Board to the Successor Agency of the San Gabriel RDA

On behalf of the Successor Agency of the former San Gabriel Redevelopment Agency, I hereby agree to: (i) the retention of the Colantuono & Levin, P.C. ("the firm") by the Oversight Board to the Successor Agency of the former San Gabriel Redevelopment Agency, (ii) that the Successor Agency of the former San Gabriel Redevelopment Agency will be responsible for the payment of such services but will not be a client of the firm with respect to the services provided to the Oversight Board and (iii) consent to the simultaneous representation of the Oversight Board as General Counsel and of the City of San Gabriel and its Successor Agency in the AB 1484 challenge as discussed above.

By: 
Steven A. Preston

Date: 8.1.12

City Manager, City of San Gabriel and Executive Director to the Successor Agency of former San Gabriel RDA