
BAYSIDE GEOLOGY
ENGINEERING GEOLOGISTS

29 October 2008

Daniel Zulaica

SUBJECT: PROPOSAL FOR GEOLOGIC SERVICES
Geologic Investigation - Design Phase
Proposed Single Family Residence
Huntington Drive, Santa Cruz, Santa Cruz County, California
APN 041-671-06

Dear Mr. Zulaica:

Our firm is pleased to respond to your request for professional services regarding a geologic investigation of the above-referenced property.

This proposal addresses the geologic scope of services for assessing the viability of building a single family residence on the property. The potentially buildable area on the property is relatively small, about 80 feet square. An apparent large fill wedge occupies a portion of the building site. The pad is flanked by a deeply incised erosional gully to the southwest. The gully was created by uncontrolled drainage issuing off of Huntington Drive. It is approximately 80 feet deep and its very steep slopes are actively failing. To the northwest the pad is flanked by a steep slope that is also failing, although under a more natural condition. Our investigation will focus primarily on slope instability and landsliding.

The purpose of our Geologic Investigation will be to explore the surface and subsurface conditions at the site to develop geologic recommendations for the development of the proposed house and attached garage.

SCOPE OF WORK

Review of Literature. We will perform a review of published and unpublished maps and reports in the vicinity of the subject property. We will also examine stereoscopic historical aerial photographs of the property to help assess past slope stability.

Field Investigation. The purpose of the field work will be to assess the geologic conditions relative to building single family residence. We will map the site geology as well as co-log a minimum of

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four exploratory borings advanced by the project geotechnical engineer.

Report Preparation. Our report will describe site conditions and present our conclusions and recommendations. The report will include a large-scale geologic map of the property with accompanying cross sections.

FEE ESTIMATE

We are prepared to provide the services outlined on a time and materials basis, with an estimated fee of \$11,062.63.

The breakdown is as follows:

Work to date (see invoice)	\$1,062.63
Coordination and Meetings with Project Professionals	900.00
Literature Research	600.00
Air Photo Analysis	900.00
Field Work:	
Field mapping	600.00
Co-Log Exploratory Borings	2,700.00
Analysis of Data	1,200.00
Report Preparation	
Write	1,800.00
Draft	1,000.00
Produce	300.00

TOTAL ESTIMATE \$11,062.63

Our total fees are estimated at \$11,062.63. A retainer of \$4,000 will be required prior to our initiating work on the project. We will bill for services on a monthly basis or upon completion of the project. Our charges will be at our standard hourly rates, and will reflect actual work and costs incurred, as dictated by the project requirements.

EXTRA SERVICES

Unless otherwise stated, fees for any and all extra services will be charged on a time and materials basis per the then current Fee Schedule. Extra services are those services not specifically outlined in the Scope of Work section herein, and in no way shall be limited to the services outlined in this section.

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Presentations, Meetings and Consultations. After our report is submitted, presentations and consultation meetings may be required during agency review and approval phases of the project. Attendance at such meetings or presentations to public agencies will be taken on an as-required basis, as authorized by you, and will be considered extra services as defined above. Services performed in responding to agency reviews are considered extra services as outlined herein.

Field Control. If it is necessary for our firm to observe a phase of construction or site development involving implementation of a recommendation included in our report, said services will be considered extra services as defined herein.

Contingencies. As our study proceeds, unforeseen circumstances may require additional studies to be made. This contingency shall be discussed with you and met by negotiating a supplemental contract.

The services of a geotechnical (soils) engineer will be required. The scope of services for the geotechnical engineer will be partially contingent upon the findings of our report. The fee for geotechnical services is not included in this proposal.

TERMINATION OF SERVICES

In the event our investigation reveals hazards that, in our opinion, are too expensive to mitigate, we will inform the client. If, after discussing the situation, it is decided to terminate the investigation, we will bill for our services through the date of termination on a time and materials basis as outlined in the attached Fee Schedule.

SCHEDULE

We are prepared to begin work on this project immediately upon your authorization.

TOPOGRAPHIC MAP

We require the client provide an accurate, large scale topographic map of the subject property on which we can locate site information. We must meet with the surveyor in the field prior to the start of their field work to describe our requirements for the topographic map.

We would appreciate receiving any pertinent geologic information that the client may have on the property, such as the location of springs, water wells, etc.

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MASTER SERVICE AGREEMENT

This Master Services Agreement (Agreement) is made by and between Bayside Geology (BAYSIDE GEOLOGY) with an address at 202 Anita Street, Santa Cruz, California 95060, and Daniel Zulaica with an address at 99B Corona Road, Carmel, California 93923, (hereinafter referred to as CLIENT). This Agreement consists of the following documents, which are incorporated herein by reference:

- BAYSIDE GEOLOGY Proposal to CLIENT dated 29 October 2008
- Any and all subsequent Proposals; and

NOW, THEREFORE, in consideration of the mutual undertakings set forth below, the Parties agree as follows:

1.1 PROPOSALS AND SCOPE OF SERVICES

This Agreement anticipates the execution of the services (Services) as outlined in the Proposal and sets forth the terms and conditions pursuant to which BAYSIDE GEOLOGY will provide CLIENT the services (Services) specified in BAYSIDE GEOLOGY 's Proposal. Each Proposal shall define the scope of Services to be performed, the location of CLIENT's project for providing such Services, the agreed-upon fees, and additional provisions, if any, applicable to such Services.

1.2 STANDARD OF CARE

BAYSIDE GEOLOGY will perform its Services in a manner consistent with that level of care and skill ordinarily exercised by other members of BAYSIDE GEOLOGY 's profession practicing in the same locality, under similar conditions and at the date the Services are provided. Due to limitations in current technology, no level of assessment can conclusively determine whether a property or its structures are completely free of geologic hazards or hazardous substances (including mold). CLIENT is advised to carefully review any other pertinent limitations described in the Proposal or in the scope of Services. If included in the Services, BAYSIDE GEOLOGY's Services during construction will be limited to observation. BAYSIDE GEOLOGY will not be responsible for constant or exhaustive inspection of the work, the means and methods of construction or the safety procedures employed by others.

Performance of construction observation services does not constitute a warranty or guarantee of any type, since even with diligent observation, some construction defects, deficiencies, or omissions may occur. Parties agree that, before exercising any other remedy for any alleged breach by BAYSIDE GEOLOGY of the standard of care hereunder, CLIENT will direct

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BAYSIDE GEOLOGY in writing to re-perform any defective Services. BAYSIDE GEOLOGY will only sign certifications if approved by BAYSIDE GEOLOGY in writing prior to start of Services. CLIENT understands that any such certifications are statements of professional opinion only. BAYSIDE GEOLOGY makes no other representation, guarantee, or warranty, express or implied, regarding the services, communication (oral or written), report, opinion, or instrument of service provided under this Agreement.

1.3 BAYSIDE GEOLOGY'S RESPONSIBILITIES

BAYSIDE GEOLOGY will perform the Services as an independent contractor and shall not act as an agent or employee of CLIENT. BAYSIDE GEOLOGY shall be solely responsible for the conduct of its own employees and for any of its employees' compensation, benefits, contributions, and payroll taxes. BAYSIDE GEOLOGY will, as directed by CLIENT or its agent, (i) provide qualified staff to perform the Services specified in the Proposal; (ii) maintain records of Project site activities and costs for a period of three (3) years from completion of BAYSIDE GEOLOGY's services; (iii) work, to the extent reasonably possible, in coordination with CLIENT's employees, contractors, consultants and other site staff so as not to impede the progress of the Project; and (iv) require its personnel to maintain a safe, clean and orderly work environment.

1.4 TERM AND TERMINATION

The term of this Agreement shall commence on the date of execution of this Agreement, except as to Services authorized by CLIENT and performed by BAYSIDE GEOLOGY prior to execution of this Agreement, and shall continue in effect for a period of two (2) years or until terminated by either party as provided herein. Either party may terminate this Agreement or any Proposal at any time, with or without cause, by providing not less than ten (10) days advance written notice to the other party. Notwithstanding the termination of this Agreement, this Agreement will survive as to any and all Proposals signed by both Parties prior to the Agreement's effective termination date, and until all of the rights and obligations of both Parties hereunder have been fulfilled. CLIENT shall compensate BAYSIDE GEOLOGY for all Services performed hereunder through the date of any termination and for all reasonable costs and expenses incurred by BAYSIDE GEOLOGY in effecting the termination including, without limitation, non-cancelable commitments, fixed cost components, and other demobilization costs.

1.5 COMPENSATION

BAYSIDE GEOLOGY may be compensated for its Services either on a time-and-materials or fixed-price basis or any other method as mutually agreed upon and as specified in each

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Proposal. CLIENT agrees to provide any invoice format and contents requirements to BAYSIDE GEOLOGY in advance of signing this Agreement. Additional charges may apply to any contracting or invoicing specifications outside of BAYSIDE GEOLOGY's standard procedures. CLIENT understands that time-and-materials pricing should be construed as an estimate only and that true costs may be higher or lower, depending on actual circumstances. If a Proposal is to be performed on a time-and-materials basis, BAYSIDE GEOLOGY shall be reimbursed for all hours worked and other costs incurred at the rates and terms set forth in its then current fee schedule. BAYSIDE GEOLOGY shall submit its invoices for Services rendered to CLIENT monthly. The terms of payment are net thirty (30) days from date of invoice, with a one and one-half percent (1.5%) per month service charge on balances past due. Interest on amounts that are past due shall be computed from the initial date of invoice. BAYSIDE GEOLOGY may suspend performance of Services under this Agreement until BAYSIDE GEOLOGY has been paid in full for all balances past due, including applicable service charges. BAYSIDE GEOLOGY shall be entitled to recover all its attorneys' fees and costs resulting from its efforts to secure payment from Client.

1.6 INSURANCE

BAYSIDE GEOLOGY currently carries Professional Liability Insurance.

1.7 CHANGES

CLIENT or BAYSIDE GEOLOGY may request changes to the scope of Services by altering, adding to, or deleting from the Services to be performed by BAYSIDE GEOLOGY. Both Parties agree to negotiate in good faith to determine changes in scope, any needed equitable adjustment to the price and time for performance of the affected Proposal, and to execute an amended Proposal. Should the total cost of BAYSIDE GEOLOGY's performance under a Proposal be greater than the estimated amount, BAYSIDE GEOLOGY will notify CLIENT. Failure by both parties to renegotiate in good faith the terms and conditions of any Proposal may result in suspension of work without penalties, and termination of this Agreement by BAYSIDE GEOLOGY.

1.8 FORCE MAJEURE

If the performance of Services by BAYSIDE GEOLOGY is affected by causes beyond its reasonable control, Force Majeure shall result. Force Majeure includes acts of God; acts of a legislative, administrative, or judicial entity; acts of CLIENT's separate contractors and consultants; war; fires; floods; labor disturbances; and unusually severe or unanticipated weather.

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1.9 CLIENT'S RESPONSIBILITIES

CLIENT agrees to (i) convey and discuss with BAYSIDE GEOLOGY all available material, data, and information pertaining to the Services, including, without limitation, the composition, quantity, toxicity, or potentially hazardous properties of any material known or believed to be present at any site, any hazards that may be present, the nature and location of underground or otherwise not readily apparent utilities, summaries and assessments of the site's past and present compliance status, and the status of any filed or pending judicial or administrative action concerning the site or Project; (ii) ensure the cooperation of CLIENT's employees and separate contractors and consultants; and (iii) be solely responsible for determining whether the Project is subject to prevailing wage regulations and to notify BAYSIDE GEOLOGY of such determination in advance of its proposal.

1.10 ALLOCATION OF RISK

Neither party shall be responsible to the other for any special, incidental, indirect, penal or consequential damages (including lost profits) incurred by either BAYSIDE GEOLOGY or CLIENT or for which either party may be liable to any third party. The indemnity obligations and the limitation of liability established below shall survive the expiration or termination of this Agreement.

- Indemnification of CLIENT. Subject to the provisions and Limitation of Liability of this Agreement, BAYSIDE GEOLOGY agrees to indemnify and hold harmless CLIENT, its shareholders, officers, directors, employees, and agents from and against any claims, suits, damages, expenses, including reasonable attorneys' fees, or other losses (collectively "Losses") to the extent caused by BAYSIDE GEOLOGY negligent performance of Services under this Agreement.
- Indemnification of BAYSIDE GEOLOGY. CLIENT will indemnify and hold harmless BAYSIDE GEOLOGY, its shareholders, officers, directors, employees, and agents from and against Losses to the extent caused by the negligence of CLIENT, its employees, agents, and contractors.
- CLIENT's obligation to indemnify shall include any Losses, resulting from (1) a subsequent determination that the Project is subject to prevailing wage regulations, and (2) Losses arising from the existence, disposal, release, discharge, treatment or transportation of Hazardous Materials, the exposure of any person to, or any degradation of the environment due to Hazardous

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Materials.

- **Limitation of Liability:** The total liability of BAYSIDE GEOLOGY arising out of or related to this Agreement, whether based in contract or tort, shall be limited to the greater of the compensation actually paid to BAYSIDE GEOLOGY for the Services under all Proposals or \$50,000. This limitation of liability shall include any Losses payable to Client under 1.10, Indemnification of CLIENT. All claims by CLIENT against BAYSIDE GEOLOGY shall be deemed waived unless written notice of the claim has been provided to BAYSIDE GEOLOGY within one (1) year after substantial completion of the Services performed under a particular Proposal. CLIENT agrees that any claim or suit for damages made or filed against BAYSIDE GEOLOGY by CLIENT will be made or filed solely against BAYSIDE GEOLOGY or its successors or assigns and that no shareholder or employee of BAYSIDE GEOLOGY shall be personally liable to CLIENT for damages under any circumstances. This Limitation of Liability applies to any and all claims, no matter how pleaded, including claims for errors and omissions, breach of contract, negligence, or breach of fiduciary duty, and applies to all phases of Services performed under this Agreement. BAYSIDE GEOLOGY total liability to CLIENT and anyone claiming by, through, or under CLIENT for damages shall not exceed the percentage share that BAYSIDE GEOLOGY negligence bears to the total negligence of all negligent entities and individuals.

1.11 NO CONTROL OF MEANS AND METHODS OF OTHER

BAYSIDE GEOLOGY will not have control over or charge of, nor be responsible for the construction means, methods, techniques, sequences, or procedures, or for the safety precautions and programs of CLIENT's separate contractors and consultants in connection with the Project. BAYSIDE GEOLOGY's services do not include any job site safety obligations required by the project or any applicable code or regulation.

1.12 SITE ACCESS

CLIENT shall, as may be required by BAYSIDE GEOLOGY for the successful and timely completion of Services: (i) provide unimpeded and timely access to the site; (ii) obtain Project-specific permits and licenses necessary for the performance of the Services.

1.13 WARRANTY OF TITLE, WASTE OWNERSHIP

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BAYSIDE GEOLOGY does not take title to any hazardous materials found at the project site. Any risk of loss with respect to all materials shall remain with the project site owner, who shall be considered the generator of such materials, execute all manifests as the generator of such materials, and be liable for the arrangement, transportation, treatment, and/or disposal of all material. All samples shall remain the property of the CLIENT. CLIENT shall promptly, at its cost, remove and lawfully dispose of samples, cuttings, and hazardous materials.

1.14 ASSIGNMENT AND SUBCONTRACTING

This Agreement does not create any right or benefit to anyone other than CLIENT and BAYSIDE GEOLOGY and shall not be assigned by either party without the prior written approval of the other party. BAYSIDE GEOLOGY, however, may elect to subcontract portions of the Services to a qualified subcontractor.

1.15 DISPUTE RESOLUTION

If a claim or dispute arises out of or relates to the interpretation, application, enforcement, or performance of Services under this Agreement, both Parties agree to attempt to resolve the claim or dispute (1) at a meeting between the principals within fifteen (15) days of receipt by either party of a notice and description of the dispute and, failing resolution, (2) mediation in accordance with the AAA Construction Industry Mediation Rules then in effect within forty-five (45) days from service of written notice. If the claim or dispute cannot be resolved through mediation and unless otherwise mutually agreed, either party may file suit in an appropriate court in the state of the BAYSIDE GEOLOGY office entering into this Agreement.

1.16 WAIVER OF TERMS AND CONDITIONS

The failure of either Party in any one or more instances to enforce one or more of the terms or conditions of this Agreement, or to exercise any right or privilege in this Agreement, or the waiver by BAYSIDE GEOLOGY or CLIENT of any breach of the terms or conditions of this Agreement shall not be construed as thereafter waiving any such terms, conditions, rights, or privileges, and the same shall continue and remain in force and effect as if no such waiver had occurred.

1.17 SEVERABILITY

Every term or condition of this Agreement is severable from the others. Notwithstanding any possible future finding by a duly constituted authority that a particular term or provision is

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invalid, void, or unenforceable, this Agreement has been made with the clear intention that the validity and enforceability of the remaining parts, terms, and provisions shall not be affected thereby.

1.18 GOVERNING LAWS

This Agreement shall be governed and construed in accordance with the laws of the State of California. Venue shall be Santa Cruz County, California.

7.19 ENTIRE AGREEMENT

The terms and conditions set forth herein, including any associated Proposals, constitute the entire understanding and agreement of both Parties with respect to the Services. Any amendment or revision to this Agreement shall be in writing and signed by an authorized representative from each party. Any oral modification or revision of this Agreement or any Proposal shall not operate to modify this Agreement or any Proposal.

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In witness whereof, CLIENT and BAYSIDE GEOLOGY have caused this Agreement to be executed by their respective duly-authorized representatives.

Please sign one copy in the space provided below and return it to our office. Receipt of the signed proposal and retainer in the amount of \$4,000 will constitute authorization for us to proceed, and this proposal shall then become a contract.

If this proposal is not accepted and a signed copy returned to our office within 45 days of the date herein, this proposal shall become null and void.

We will be happy to answer any questions you have regarding any aspect of this proposal.

CLIENT

BAYSIDE GEOLOGY

By: _____
(Signature)

By: _____

Name: _____
(Printed Name)

Name: James A. Olson, C.E.G. No. 2267

Title: _____

Title: Principal Geologist

Date: _____

Date: 29 October 2008

Attachments: Fees Schedule

Distribution: Addressee (2)
CMAG Engineering (1)

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FEE SCHEDULE

PERSONNEL: Personnel charges are for professional technical work. Clerical services are for technical typing, as in the preparation of reports, and for the time and cost of printing, as in the production of reports. Current hourly rates for personnel are as follows:

Clerical Services.	75.00
Drafting.	100.00
Assistant Geologist.	120.00
Staff Geologist.	130.00
Project Geologist.	140.00
Principal Geologist.	150.00
Expert Witness. (4 hour minimum)	275.00

Time spent in travel in the interest of the client will be charged at regular hourly rates, except that no more than 8 hours of travel time will be charged in any day. When it is necessary for an employee to be away from the office overnight, actual costs of or a negotiated rate for living expenses will be charged. A multiplier of 1.15 will be applied to all expenses.

Hourly rates will be increased by 50 percent for any overtime hours expended. Overtime hours are defined as follows: 1) any hours in excess of 8 per day, 2) any hours in excess of 40 per week, 3) any hours expended on Saturdays, Sundays or legal holidays, or 4) any hours before 8:00 a.m. or after 5:00 p.m.

OUTSIDE SERVICES: Drilling, bulldozing, trenching, and similar grading contract work in connection with exploration on which Bayside Geology administers a subcontract will be charged at cost times 1.15. Other outside services and equipment rental items will be charged at the billing rate or cost times 1.15. Common items to which this 1.15 multiplier applies include equipment rental, printing and photographic work, computer time purchases, special insurance, outside consultants, travel and transportation per diem, and long distance communications.

MILEAGE: Mileage accumulated on light trucks and automobiles in the service of the client will be charged at a rate of \$0.585 per mile.

Effective 9/1/10