ITEM NO. L.1

October 15, 2012

Don Russell
Capistrano Bay District
35000 Beach Road
Capistrano Beach, CA 92624

Re: Beach Road

Dear Don,

We have recently completed our annual insurance renewal and the outcome is a significant increase in premiums for workers compensation and general liability coverage. The increases are primarily driven by a hardening in the insurance marketplace, particularly in the workers compensation realm. Our Experience Modification Rating is among the lowest in the industry (at .83), indicating that our operation provides a safer work environment than almost all of our competitors, however workers compensation rates are skyrocketing for nearly all California employers this year. Our increase was 24%, and when coupled with a general liability increase of 35% the impact on our bottom line is significant. Given that the landscape business is labor intensive, we are in the unfortunate position of needing to pass these cost increases on to our clients.

The good news is that we have been servicing Beach Road for almost 2 years without a price increase. During that time many other costs have increased and we have been able to hold the line on pricing, however this is no longer the case and we are requesting an increase in your monthly fee from $725.00 to $875.00. In order to allow you to incorporate the request into your budget we can hold off implementing it until January 1, 2013.

We are honored to be entrusted with the care of your landscape asset and we look forward to servicing your account for many years to come. Thank you for your business and if you have any questions please give us a call.

Sincerely,
Bemus Landscape, Inc.

Colin Bemus

Colin Bemus
President, Landscape Maintenance

APPROVED:

Client Signature Date

*P.O. Box 74268 * San Clemente * CA * 92673 * T 888.557.7910 * F 888.557.7911*
www.bemus.com