

NAYLOR & HALES, P.C.
950 W. Bannock Street, Ste. 610
Boise, Idaho 83707
(208) 383-9511; (208) 383-9516 (fax)

LEGAL SERVICES AGREEMENT AMENDED December 2012

THIS AGREEMENT, effective this 26th day of December, 2012, is between the **City of Sun Valley** ("Sun Valley City"), and the firm of **Naylor & Hales, P.C.** This Agreement sets forth the terms of our representation of Sun Valley City's legal interests, including information about our fees and billing procedures.

SERVICES: Naylor & Hales, P.C. agrees to provide legal services to Sun Valley City and its Staff in connection with *subpoena issues for privileged documents and general litigation services related to action taken by Jim Donoval*¹. The services shall include, but not be limited to, the actual amount of time that an attorney is required to spend on Sun Valley City's behalf, including telephone calls, office conferences, document preparation and review, research, court appearances, and travel time, etc.

FEES: Our fees for services are based upon a variety of factors. In assessing fees for legal services, the Idaho Rules of Professional Conduct require lawyers to consider several factors. These factors include the time and labor required, the novelty and difficulty of the issues involved, the skill needed to adequately perform the services, the amount of money at stake, the results obtained, the time limitations imposed by the client or by circumstances, the length and nature of the professional relationship with the client, and the experience, competence, and reputation of the lawyer(s) performing the services. Based upon the nature of the work and time involved in representing Sun Valley City, the agreed fees payable to the firm for handling Sun Valley City's legal matters is **\$135.00 per hour for all services, plus costs.**

COSTS: In addition to the fees, you will also be billed for out-of-pocket expenses, such as court filing fees, court reporter fees, deposition costs, copy/scan expenses, travel expenses, investigation fees, and similar charges that may be incurred in connection with our representation of Sun Valley City's interests. These costs represent out-of-pocket expenses necessary to render the services requested. Normally, these costs will be paid by you directly to the provider, but this firm will request the reimbursement of these expenses which have been incurred and paid on Sun Valley City's behalf.

¹*For purposes of current projects (including work already performed), the City approves work related to the Ball subpoena issues to not exceed \$17,000.00; and the general litigation related to a public records lawsuit to not exceed \$20,000, without receiving approval from the City.*

CLIENT BILLING: We will submit a monthly billing statement to you which sets forth the fees and costs in all cases. Statements will be mailed to you on the first day of each month for services performed and costs incurred during the previous month. These statements are due and payable in full upon receipt. Unless the firm's statements are paid within thirty (30) days of the statement date, this firm reserves the right, upon written notice to you, to suspend all activities on Sun Valley City's behalf and obtain leave of the court to withdraw from further representation of Sun Valley City's interests in any pending litigation. In addition, if the amount of the statement is not paid in full within thirty (30) days of the statement date, a finance charge will be assessed on the outstanding balance. The finance charge will be computed by applying a periodic rate of one and one-half percent (1-1/2%) per month (18% per annum) against the past due balance.

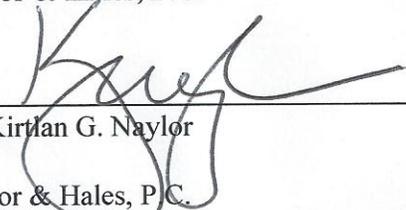
CONFLICTS: You have not advised us, nor are we presently aware of any actual or potential conflicts of interest in representing you at this time. We do reserve the right, however, to withdraw from our representation should any such conflict arise in the future.

WITHDRAWAL: Naylor & Hales reserves the right to withdraw from our legal representation of Sun Valley City's interests if it fails to honor the terms of this Agreement, or if Sun Valley City's conduct has made our representation unreasonably difficult, or if any other circumstance becomes apparent which necessitates our withdrawal from representing Sun Valley City's interests. In such a circumstance, Sun Valley City agrees to take all steps necessary to complete our withdrawal from Sun Valley City's legal matter, and also agree to pay for all services rendered and costs which have been incurred on Sun Valley City's behalf up to the date of our withdrawal.

Naylor & Hales will expect to represent Sun Valley City's interests until the conclusion of the matter involved. If, however, you wish to terminate our services, please advise us, and we will promptly take the necessary steps to conclude our representation in compliance with the Idaho Rules of Professional Conduct. In such event, you shall not be relieved of Sun Valley City's obligation to pay for all services rendered or costs incurred on Sun Valley City's behalf prior to the date of termination.

This agreement shall also be applicable to any other matter for which you retain this firm. We reserve the right to change our fee structure. However, if our fee structure changes, we will provide you with reasonable written notice.

The members of this firm are aware of the burden that high legal fees can create. Therefore, we will attempt to expend only that amount of time required to properly represent Sun Valley City's interests. Please feel free to discuss our fees with us at any time, or any other questions or concerns you may have about this Agreement or the fee arrangement in Sun Valley City's case, particularly at the time of the first consultation.

<p>Naylor & Hales, P.C.</p> <p>By  _____ Kirtlan G. Naylor</p> <p>Naylor & Hales, P.C. 950 W. Bannock Street, Ste. 610 Boise, ID 83702 383-9511; 383-9516 (fax)</p>	<p>City of Sun Valley</p> <p>By _____ Mayor Dewayne Briscoe</p> <p>_____ City of Sun Valley Attn: City Administrator 81 Elkhorn Rd.; PO Box 416 Sun Valley, ID 83353 (208) 622-4438;</p>
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Thank you for retaining Naylor & Hales to represent your legal interests.

IN CASE OF ERRORS OR INQUIRIES ABOUT YOUR BILL

The Federal Truth-in Lending Act requires prompt correction of the billing mistakes.

1. If you want to preserve your rights under the Act, here's what to do if you think your bill is wrong or if you need more information about an item on your bill:
 - a. Do not write on the bill. On a separate sheet of paper, write (you may telephone your inquiry but doing so will not preserve your rights under this law) the following:
 - i. Your name.
 - ii. A description of the error and an explanation why you believe it is an error.
 - iii. The dollar amount of the suspected error.
 - iv. Any other information (such as your address) which you think will help the firm to identify you or the reason for your complaint or inquiry.
 - b. Send your billing error notice to: Naylor & Hales, P.C., 950 W. Bannock Street, Ste. 610, Boise, Idaho 83702.

Mail it as soon as you can, but in any case, early enough to reach the firm within 60 days after the bill was mailed to you.
2. Our firm must acknowledge all letters pointing out possible errors within 30 days of receipt, unless the firm is able to correct your billing during that 30 days. Within 90 days after receiving your letter, our firm must either correct the error or explain why the firm believes the bill was correct. Once our firm has explained the bill, our firm has no further obligation to you even though you still believe that there is an error, except as provided in Paragraph 5 below.
3. Once you have notified us in writing of your objection to a bill, neither we nor an attorney or a collection agency may send you collection letters or take other collection action with respect to the amount in dispute; but periodic statements may be sent to you, and the disputed amount can be applied against your credit limit. You cannot be threatened with damage to your credit rating or sued for the amount in question, nor can the disputed amount be reported to a credit bureau or to other creditors as delinquent until the creditor has answered your inquiry. **HOWEVER, YOU REMAIN OBLIGATED TO PAY THE PARTS OF YOUR BILL NOT IN DISPUTE.**
4. If it is determined that our firm has made a mistake on your bill, you will not have to pay any finance charges on any disputed amount. If it turns out that our firm has not made an error, you may

have to pay finance charges on the amount in dispute, and you will have to make up any missed or required payments on the disputed amount. Unless you have agreed that your bill was correct, the firm must send you a written notification of what you owe; and, if it is determined that our firm did not make a mistake in billing the disputed amount, you must be given the time to pay which you normally are given to pay undisputed amounts before any more finance charges or late payment charges on the disputed amount can be charged to you.

5. If our firm's explanation regarding the disputed amount does not satisfy you, and if you notify our firm in writing within 10 days after you receive the explanation that you still refuse to pay the disputed amount, the firm may report you to credit bureaus and other creditors and may pursue regular collection procedures. But the firm must let you know to whom such reports were made. Once the matter has been settled between you and our firm, our firm must notify those to whom our firm reported you as delinquent of the subsequent resolution.
6. If our firm does not follow these rules, the firm is not allowed to collect the first \$50.00 of the disputed amount and finance charges, even if the bill turns out to be correct.