

CALIFORNIA SURETY FEDERATION

April 25, 2006

Mr. Gilbert Ivey, Executive Officer
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

Subject: Surety Carrier Selection Criteria Under California Law

Dear Mr. Ivey:

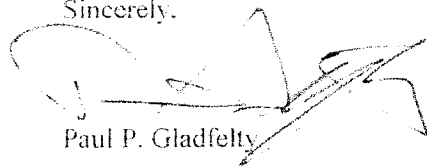
On behalf of the California Surety Federation, representing over 30 carriers and independent agent brokers in California, this letter is in regard to information we have received that the Metropolitan Water District of Southern California, in connection with its "Jensen Chlorine Containment and Fluoride Project" may be requiring contractors to use a bond standard other than being "California admitted." Specifically, the proposal requires the surety companies executing the bonds to be on the Department of the Treasury's Listing of Approved Sureties, which is contrary to California law. You may not be aware that as a result of legislation passed in 1992, local agencies can only require a surety carrier to be "California admitted."

The California Code of Civil Procedure, Section 995.670 states "No state or local public entity shall require an admitted surety insurer to comply with any requirements other than those in Section 995.660 whenever an objection is made to the sufficiency of the admitted surety insurer on the bond or if the bond is required to be approved."

Enclosed is a copy of the original legislation on this subject, a letter from Assembly Member Polanco, who authored the bill expressing the rationale for passing such legislation, and a Legislative Counsel's opinion on this matter.

Our organization supported this legislation, and I am aware of no public agency that has prevailed in litigation reaching a contrary opinion on the law. We would be pleased to discuss this issue or answer any questions that you may have on the subject.

Sincerely,



Paul P. Gladfelty

Enclosures