EXHIBIT 13-B

padre
associates, inc.
≋ ENGINEERS, GEOLOGISTS & ENVIRONMENTAL SCIENTISTS

September 11, 2006

Monterey Peninsula Water Management District
5 Harris Court, Building G
Monterey, CA 93942

Attention: Mr. David Berger, General Manger

Subject: Water Resources Business Line

Dear Mr. Berger:

Padre Associates, Inc.'s (Padre) Water Resources Group, which consisted primarily of Messrs. Burke, Marks and Tanner, was an important component of Padre's overall business line for the past five years. Last month these individuals decided to leave Padre and form their own water resource consulting firm, Pueblo Water Resources, Inc. (Pueblo). The Principals of Padre wish Messrs. Burke, Marks and Tanner every success with their new consulting firm and we anticipate continuing our work together on ongoing water resource projects, or on new projects that utilize both Padre's and Pueblo's combined expertise.

With this change, Padre will focus on our core business lines, and we will no longer be pursuing water resource projects. However, Padre is committed to serve the best interests of our clients, and have made arrangements with Pueblo to work with existing clients to either complete existing projects or transition projects to Pueblo. If an existing client specifically desires to continue and complete existing water resource work under current Padre contracts, we will work with Pueblo cooperatively to complete those services under the terms of our contract. Padre also has no reservations transferring projects to Pueblo if the client so desires.

From a contractual standpoint, Padre would prefer that both ongoing and new water resource projects be contracted directly with Pueblo for completion; however, we understand that transferring existing contracts may be inconvenient or undesirable for some of our clients.

Again, we support Pueblo and wish them success with their new business. If you have any further questions regarding this matter please do not hesitate to call me at 805-644-2220, ext. 11.

Sincerely,

PADRE ASSOCIATES, INC.

Jeffrey T. Damron, P.E., G.E.
Principal / Corporate Secretary

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