

**SETTLEMENT AGREEMENT
AND RELEASE OF CLAIMS**

This Settlement Agreement and Release of Claims ("Settlement Agreement") is entered into on December 15, 2009 between VEOLIA Water West Operating Services, Inc. and VEOLIA Water North America Operating Services, LLC (hereafter, "VEOLIA") and the CITY of Richmond (hereafter, "CITY"). VEOLIA and the CITY are sometimes referred to collectively as "the Parties".

RECITALS

A. WHEREAS, the subject matter of this Settlement Agreement and Release of Claims (the "Settlement Agreement") is resolution of disputes related to an ongoing contractual relationship between the CITY and VEOLIA for design, construction, operation, maintenance and management of the entirety of the CITY's wastewater and storm water systems, consisting of the May 15, 2002 agreement (the "Base Agreement") for design, construction, operation, maintenance and management of the CITY's Facility, Amendment One dated September 7, 2004, ("Amendment One") the Second Amendment dated April 17, 2004 (Amendment Two"), and the Third Amendment dated June 22, 2007 ("Amendment Three"). The Base Agreement, Amendment One, Amendment Two and Amendment Three are collectively referred to as the "CONTRACT";

B. WHEREAS, on or about July 2, 2008 the CITY asserted claims against VEOLIA related to alleged billing issues and concerning the work performed and to be performed under the CONTRACT;

C. WHEREAS, VEOLIA responded to the claims asserted by the CITY, and identified claims against the CITY with respect to payment and subcontractor issues;

D. WHEREAS, after assisted negotiation through mediation, the CITY and VEOLIA have reached a settlement which resolves the Parties' claims in the mediation, and the Parties agree that future disputes, including but not limited to those involving contract modifications and issues that may arise in the future shall be handled in the cooperative manner established in the negotiation of this Settlement Agreement and utilizing the procedures for settlement of disputes set forth herein;

E. WHEREAS, VEOLIA Water Constructors, Inc. has changed its name to VEOLIA Water West Operating Services, Inc.;

F. WHEREAS, the parties agree that where this Settlement Agreement provides for a change in the terms of the Contract, this Settlement Agreement constitutes an amendment of the Contract.

THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the CITY and VEOLIA agree as follows:

TERMS

1. NO ADMISSION OF LIABILITY

The CITY and VEOLIA understand and agree that both parties dispute liability for the matters that are being settled and released herein. The Parties agree that this Settlement Agreement is being executed in compromise of disputed claims, and nothing herein shall be construed as an admission of liability by any Party.

2. MONETARY CONSIDERATION FOR SETTLEMENT

In consideration of the promises, releases, covenants and obligations set forth in this Settlement Agreement, VEOLIA agrees to Pay the CITY the sum of One Million Seven Hundred Fifty Thousand Dollars and No Cents (\$1,750,000). Additionally, VEOLIA agrees to reimburse the CITY for payments made by the CITY on Invoice Nos. 2603258, 2603259 and 2603260, in the amount of \$172,260.46. The total monetary compensation to be paid to the CITY pursuant to this Agreement is \$1,922,260.46, and this sum is to be paid within 30 days of execution of this Agreement.

3. WAIVER OF INTEREST AND CLAIMS AND CONTRACT MODIFICATION

The Parties agree to additional consideration as a part of the Settlement Agreement, as set forth herein;

- A. VEOLIA waives its claim for accrued interest under Section 11.6 of the Agreement; with respect to invoices first submitted to the CITY through and including April 20, 2009.
- B. VEOLIA waives its claim to payment of invoices in the amount of \$823,628.91. This waiver includes unpaid invoices in the total amount of \$651,368.45, Invoice Nos. 2401011, 2401358, 2401438, 2603016, 260311OR, 26031411, 26031412, 2603175 and 2603178 (in amount of \$3,339.27) and previously paid invoices in the amount of \$172,260.46 (referred to in paragraph 2, above).
- C. The Contract is modified to eliminate the right to termination for convenience, as follows: Section 8.4 of the Base Agreement and Section 10.11 of Amendment One are eliminated from the Contract, except as to termination required as a result of IRS regulations.
- D. The Contract is modified to the effect that VEOLIA will be reimbursed for its actual cost of insurance and bonds as pass through items (without markup), so long as they are commercially reasonable, for Facility Operation and Maintenance ("O&M") and Collection System O&M. As more particularly set forth in Section 8, below, VEOLIA shall bear the cost of all insurance and bonding for capital work. Schedule 10 of the Contract is amended to reflect these change.

- E. The Contract is modified to provide for a mutual option to extend the Contract for an additional five year period, the mutual option to be exercised by the Parties during the year preceding the final year after the Renewal Terms under the Contract. Unless both Parties agree to exercise the option to extend the Contract pursuant to this amendment of the Contract, the Contract period shall not be extended.
- F. Section 2.6 of Amendment One is modified, regarding Manholes, to provide that VEOLIA will raise or lower up to 260 manholes per year, to be coordinated with the CITY with respect to the CITY's paving projects. t VEOLIA will also inspect manholes in connection with its CCTV and cleaning work and will advise the CITY of manholes that it identifies as needing adjustment. The labor for this work, consisting of raising or lowering up to 260 manholes and the inspection of manholes and notification to the CITY shall continue to be included within VEOLIA's lump sum payment. The CITY will continue to be responsible for material costs, as set forth in section 2.6 of Amendment One.
- G. Sections 3.10.1 and 3.10.2 of the Base Agreement relating to Liquidated Damages are modified to provide that the imposition of liquidated damages by the CITY shall be subject to notice and cure provisions, including requirements that the CITY provide written notice of the conditions giving rise to applicability of liquidated damages, and thereafter, VEOLIA shall have a reasonable period of time, consistent with Section 8.2.2 of the Base Agreement, to cure the defective condition before liquidated damages begin to accrue.
- H. Section 3.3.2 (j) of the Base Agreement is modified by eliminating the final sentence of the section and eliminating Schedule 16. The Parties agree the CITY shall have the right to select any contractor it chooses for development and construction of sludge handling facilities which relate to this Section and Schedule 16. In the event alternate sludge disposal facilities are identified as part of the Contract, VEOLIA shall be entitled to a reasonable adjustment of the Service Fee to reflect the additional costs, if any, with respect to sludge handling and disposal arising as a result of transport to sludge drying beds other than those in current use. The adjustment to VEOLIA's Service Fee shall include a 15% mark up for VEOLIA on outside subcontractors to the extent subcontractor costs increase, as more particularly addressed herein.
- I. The CITY agrees to: 1) finalize plans for placement of the Sunset Pointe emergency generator; 2) pay any uncontested portion of the balance of the \$95,000 represented by VEOLIA to be due under Second Amendment with respect to the scope of work; and 3) enter into a Task Authorization with VEOLIA for the design and placement of the generator on terms that are consistent with the Agreement, this Settlement and satisfactory to the parties.

- J. Sections 8.8.2 and 8.8.3 of the Base Agreement are modified to provide for the selection of two independent engineer/mediators – one with expertise in collection systems (the Collection System Mediator) and the other with expertise in wastewater treatment plants (the Facility Mediator), collectively, the “Mediators.” The CITY and VEOLIA will share the cost of the Mediators equally. However, each Mediator shall be empowered to assign differing shares of his or her fee as the Mediator sees fit. By way of example, the Mediator is empowered to require that one party pay all or a majority of his or her fee with respect to a dispute that the Mediator determines has no merit with respect to one Party. The Mediators shall be selected within thirty days of the execution of the Settlement Agreement. Each Party shall propose one or more candidates for each mediator position. From these selections, the Parties will attempt to reach agreement on the Mediator for each discipline. If the Parties cannot agree on a Mediator for either or both positions, then each Party shall select a Collection System professional and/or a Treatment Plant professional, as appropriate, and the two professionals shall jointly select the Mediator.

4. CCTV AND CLEANING AND UPDATING GIS SYSTEMS

- A. VEOLIA agrees to identify sanitary sewer line segments and portions of line segments that are inaccessible (collectively, “inaccessible line segments”) and provide a report to the CITY within fifteen days of execution of the Settlement specifying the inaccessible line segments. The list of inaccessible line segments shall include a detailed summary description of the basis of VEOLIA’s determination of inaccessibility. The Parties will cooperate in the process of identifying inaccessible line segments.
- B. The CITY will determine those inaccessible lines it will pay to repair or arrange for access, where inaccessibility relates to the line segment going over private property. VEOLIA shall provide rough estimates of the cost of repairing inaccessible line segments. At the CITY’s election, VEOLIA shall prepare detailed task authorizations for repair of inaccessible line segments.
- C. Disputes regarding accessibility of a line segment shall be addressed with the Collection System Mediator.
- D. VEOLIA shall notify the CITY within five business days of its discovery of any previously unreported inaccessible line segments.
- E. Within 90 days of execution of this Settlement Agreement,, VEOLIA will have completed CCTV’ing and initial cleaning of all line segments of the sanitary sewer collection system (the “Collection System”), estimated in the Base Agreement to be 185 miles in length, that are accessible (“Accessible Line Segments”) as of 60 days following execution of this Settlement Agreement. The only line segments of the sanitary sewer collection system that will not have been

CCTV'd and initially cleaned within 90 days of the execution of this Settlement Agreement will be those which VEOLIA has identified as inaccessible line segments, and which the CITY has not made accessible within 60 days of execution of this Settlement Agreement.

- F. All of the video completed by VEOLIA as of the 90th day following execution of this Settlement Agreement, including the video referenced in subparagraph E, above, shall be searchable and verifiable. Searchable and verifiable means that VEOLIA shall be able to access video of any line segment videoed, at the request of the CITY, and it will be possible to verify that the video is of the particular line segment identified, through its computerized maintenance management system. For each such line segment, VEOLIA will have the PACP rating. This paragraph does not apply to storm water line segments. The Parties reserve their rights concerning whether storm water line segments must supplement the GIS and be searchable and verifiable. However, the Parties agree to meet and attempt to resolve any issues on a go-forward basis.
- G. VEOLIA will CCTV a length of the sanitary sewer system equal to at least 10% of the Accessible Line Segments annually and 100% of the Accessible Line Segments over the coming ten years. Thereafter, VEOLIA will continue to CCTV a length of the sanitary sewer system equal to at least 10% of the Accessible Line Segments annually on a program designed to accomplish CCTV'ing of 100% of the system over the succeeding ten years. Consistent with the foregoing, VEOLIA will develop a plan for increased CCTV work in areas of the sanitary sewer system presenting greater risk of failure or otherwise deserving of more frequent inspection.
- H. In the event that VEOLIA fails to complete the tasks specified in subsections E and/or F, above, within 90 days of execution of this Settlement Agreement, then the CITY shall have the right, at VEOLIA's sole expense, which expense shall be commercially reasonable, to hire a third party with expertise in the relevant discipline to complete the tasks.
- I. VEOLIA shall provide an update of the Master Plan for the Collection System with the information available from the CCTV and initial cleaning performed by VEOLIA as of 90 days following the execution of this Settlement Agreement and ratings of the sanitary sewer system so that condition related improvements and repairs to the Collection System are incorporated into the Capital Improvement Plan in the Master Plan. VEOLIA shall meet with the CITY within thirty days of the execution of the Settlement Agreement to work out the date on which the Master Plan Update shall be completed. In any event, in the absence of an agreement to the contrary by the parties, VEOLIA will complete the Master Plan Update on or before December 31, 2010.
- J. VEOLIA shall complete the tasks set forth in this Section 4 at its sole expense provided that the CITY shall be responsible for the costs of the preparation of

detailed task authorizations and the work of repairing inaccessible line segments the CITY elects to repair.

5. SEWER SYSTEM OVERFLOWS (“SSO’s”) AND GIS UPDATES

The Parties agree to amend the Contract with respect to SSO’s and GIS updates as follows:

- A. VEOLIA shall notify the CITY of each SSO within one half hour of VEOLIA’s receipt of notice of an overflow. VEOLIA shall provide notice to the CITY by electronic-mail during regular business hours and by phone at other times. If the information is available at the time notice it provided to the CITY, VEOLIA shall provide the location, estimated time of the SSO, and the cause of the SSO at the time notice is given to the CITY of the SSO. The CITY may, at its option, send a representative to observe VEOLIA’s response to the SSO. However, VEOLIA shall not be obligated to delay its response to the SSO.
- B. The CITY shall notify VEOLIA of any claims made by residents for damages arising from SSO’s which the CITY asserts VEOLIA has any responsibility. VEOLIA shall provide the CITY with contact information for the persons to whom notice is to be provided hereunder. The CITY shall provide this notice within two business days of the CITY’s receipt of the claim, unless the determination of responsibility is made at a later time, in which case the notice shall be provided within two business days of the City’s determination of responsibility. The CITY will bear responsibility for SSO’s that occur as a result of conditions in inaccessible line segments where required work on such line segments has not been approved or completed, except that VEOLIA’s unexcused delay in completing an approved task shall not relieve VEOLIA of responsibility.
- C. VEOLIA’s responsibility for SSO’s shall remain as set forth in Section 8 of the Amendment One. However, any limitations in responsibility set forth therein shall not reduce the liability of VEOLIA for SSO’s that result from VEOLIA’s delay, if any, in completing CCTV of Accessible Line Segments.
- D. VEOLIA shall provide the CITY with GIS updates showing differences between GIS and actual data regarding the Collection System discovered by VEOLIA in the course of its performance no less often than monthly. VEOLIA shall provide written statements describing the deviations between field conditions and the CITY’s GIS. The CITY shall provide VEOLIA with an electronic download of its Collection System GIS layer no less often than monthly. The parties shall meet and confer and may exchange information more frequently.

6. CMMS ISSUES

VEOLIA shall verify that it has in place a CMMS system at the Facility and for the Collection System. With respect to the Facility, verify means that VEOLIA will demonstrate that its Computerized Maintenance Management System for the Facility is operative and tracks the assets described in Agreement as to the Facility (Section 2.2.2 of Schedule 2 to the Agreement). The parties agree that Communications Equipment, Computer Equipment, and SCADA systems are deleted from Section 2.2.2 of Schedule 2. With respect to the Collection System, verify means that VEOLIA will demonstrate that its Computerized Maintenance Management System for the Collection System is operative and meets the industry standard for an asset management system for a collection system.

7. ARTICLES IV, V and VI of BASE AGREEMENT

The Parties agree that Articles IV, V and VI of the Base Agreement are no longer part of the Agreement between the parties and are deleted in their entirety.

8. COMPENSATION OF VEOLIA FOR CAPITAL PROJECTS

The Parties agree to amend the Contract to provide a uniform compensation for Veolia with respect to capital projects, whether it relates to Collection System capital projects or Facility capital projects where Veolia performs the work, as follows:

- A. VEOLIA shall be compensated by the CITY for performing capital projects as follows:
 - (i) All amounts due to subcontractors, including contractors, equipment purchases and rentals, and consultants, for services and work provided under the terms of Task Authorizations approved by the CITY (“Approved Third Party Work”)
 - (ii) A markup of Twenty Four Percent (24%) on Approved Third Party Work (“VEOLIA Markup”). The VEOLIA Markup compensates VEOLIA for all project related costs including but not limited to labor, insurance, bonding, profit and overhead expense compensation for VEOLIA on CPM projects.
- B. VEOLIA shall not include a line item for contingencies in its contracts with third parties nor shall VEOLIA include a contingency in its TA’s.
- C. VEOLIA shall guarantee that the total price for Approved Third Party Work to the CITY will not exceed the amounts approved by the CITY in the applicable Task Authorization for Approved Third Party Work plus the VEOLIA Mark-up subject only to increases in cost from differing site conditions that are not the responsibility of VEOLIA to be aware of, circumstances which were not foreseeable by reasonable investigation that are beyond the original scope of work

including, without limitation, unknown subsurface conditions (collectively, "Unforeseen Costs"), which shall, as appropriate, be incorporated into a change order approved by the CITY as provided at Sections 8 F., 8 G. and 9 B., below (collectively, the "Total Price".)

- D. All bidding procedures and bid requirements for capital work shall be conducted in accordance with the provisions of Section 10 of this Settlement Agreement.
- E. In the event that the amounts actually expended by the CITY in payment of VEOLIA's invoices for a particular project (the "Actual Project Cost") is less than the Total Price, the difference between the Actual Project Cost and the Total Price will be shared equally between the CITY and VEOLIA.
- F. Where VEOLIA is authorized to enter into a change order with its contractor for Unforeseen Costs, VEOLIA shall be entitled to a mark-up on the cost of the change order of Nine Percent (9%).
- G. The Parties shall engage the services of the Collection System Mediator to mediate any disputes regarding Unforeseen Costs and the performance of Change Orders that cannot be negotiated between Parties.
- H. The CITY plans to commit a minimum of \$10,000,000 to CIP projects annually for the three years commencing 2010 as funding is approved by the City Council, and anticipates that VEOLIA will perform that work. The City further anticipates further capital work will be performed in succeeding years but is not currently able to estimate to cost of work to be performed.
- I. CITY will pay all of the VEOLIA invoices submitted by VEOLIA to the CITY after August 1 of 2009 notwithstanding the fact that such invoices are based on past billing practices and may not conform to the provisions set forth in Section 8 of the Settlement Agreement. The CITY reserves the right to require that VEOLIA substantiate its entitlement to such invoiced amounts.

9. TASK AUTHORIZATION PROCEDURES

The Contract is modified to provide that Task Authorizations ("TA") shall conform to the following requirements:

- A. VEOLIA will not include contingencies in its TA's.
- B. Where expenditures, as a result of Unforeseen Costs, are in excess of the Approved Third Party Work plus the VEOLIA Mark-up VEOLIA shall seek and the CITY shall not unreasonably refuse to enter into change orders. In an emergency situation, VEOLIA will notify the CITY by e-mail of the requested change order, the reason for the change order and the amount sought in the change order. The CITY shall respond within 24 hours of VEOLIA's request and

will be deemed to have approved the change order if no response is received within 24 hours. For non-emergency situations, a written change order shall be delivered to the CITY (e-mail, fax or personal delivery during business hours) by VEOLIA and the CITY shall have two business days from the time of delivery to approve or disapprove the change order, or to request necessary information concerning the change order request. The CITY's failure to respond within two business days shall be deemed to be the CITY's approval of the change order.

- C. When invoicing under TA's, VEOLIA shall provide reasonable substantiation for amounts sought from the CITY. Substantiation may include written statements regarding percentage of completion, and other data relied upon in the construction industry as support for invoices. The CITY shall be entitled to request additional substantiation, so long as the request for additional substantiation is reasonable.
- D. The CITY shall approve, disapprove or specify additional required information within ten working days of receipt of an invoice from VEOLIA under a TA. VEOLIA shall respond to the CITY's request for additional information within ten working days of receipt of such request.
- E. The CITY shall pay uncontested portions of invoices when due. The CITY shall not withhold payment of uncontested amounts pending resolution with respect to contested amounts.
- F. The CITY shall designate in writing a person or persons who are authorized to approve TA's on behalf of the CITY. A TA may not be authorized by persons other than those identified as having the authority to do so. However, the CITY may amend its designation of persons authorized to approve TA's, in its discretion. Such amendment(s) must also be in writing.

10. BIDDING PROCEDURES

The Contract is modified with respect to bidding procedures as follows:

- A. VEOLIA shall employ a competitive bidding process, approved by the CITY, for all subcontracts except for professional services, emergency situations, or when the CITY directs VEOLIA to proceed without a bid.
- B. VEOLIA shall develop a pre-qualification process for design professionals that includes CITY participation. VEOLIA, with the CITY's consent, which will not be unreasonably withheld, shall select design professionals from among the pre-qualified design professionals.
- C. VEOLIA may employ a competitive bid process to establish unit prices and rates for work to be performed by contractors so that contractors can be awarded subcontracts without a specific bid process. Competitively bid unit prices and rates shall not remain in effect for longer than three years without being re-bid.

As with all bidding procedures, this process is subject to CITY approval, which will not be unreasonably withheld.

- D. VEOLIA shall select the lowest bid among bids from qualified bidders unless VEOLIA and the CITY shall agree that the selection of another bidder will provide greater value to the CITY.

11. MISCELLANEOUS CONTRACT REVISIONS

- A. The Parties amend the Contract to delete the existing language of Section 3.7 of the Base Agreement and require VEOLIA to meet and confer with the CITY regarding VEOLIA's selection of its Project Manager to give the CITY reasonable input, including the right to participate in an interview with job candidates prior to their selection by VEOLIA.
- B. The Parties amend the Contract to define "Line Segment" in the Contract to include force mains, consistent with the definition of "Line Segment" in the Baykeeper Settlement Agreement.
- C. The Parties amend the Contract to provide that where the phrase "Combined Sewer Overflow" or the initials "CSO" appear in the Contract, they are replaced by "Overflow Weir."

12. DEFENSE AND INDEMNITY

VEOLIA agrees to defend, indemnify and hold the CITY harmless from any liability of the CITY to Baykeeper under the terms of the Baykeeper Settlement Agreement arising from the failure of VEOLIA to perform as required under the terms of the Agreement. VEOLIA's obligation to the CITY does not extend to damages caused by the CITY's failure, if any, to undertake capital projects.

13. SCOPE OF RELEASE

A. General Release: Except for the obligations set forth in this Settlement Agreement, subject to the exclusions set forth in this Settlement Agreement, and subject to the ongoing rights and obligations of the parties under the Contract as modified by this Settlement Agreement, each Party hereby releases, absolves, disclaims, and forever discharges the other Party from any and all claims, demands, obligations, actions, causes of action, damages, losses, costs or expenses, whether known or unknown, related in any manner to the Contract, accruing as of April 20, 2009. Furthermore, the Parties each release the other Party from any and all claims for interest, for finance charges, prompt payment penalties, and attorneys' fees relating to the Contract through and including April 20, 2009.

B. Waiver of Civil Code Section 1542

Subject to the exclusions and other obligations expressly stated elsewhere in this Settlement Agreement, each party, after consultation with its counsel, waives all of its rights that

are provided by California Civil Code Section 1542 with regard to the claims released under this Settlement Agreement. Said Civil Code section states as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

14 EXCLUSIONS TO RELEASE WITH RESPECT TO WARRANTY AND DEFECT CLAIMS

Notwithstanding the provisions of Section 13 of this Settlement Agreement, both the CITY and VEOLIA understand and agree that the items specified in subsections (A) and (B) below, are not being released by the terms of this Settlement Agreement.

A Warranty

VEOLIA shall remain responsible for all warranty obligations set forth in the Contract for the duration set forth in the Contract subject to the provisions of the Contract and this Settlement Agreement.

B. Patent or Latent Defects

VEOLIA shall remain responsible for any and all deficiencies with regard to its work under the Contract, whether furnished by itself or by its subcontractors, to the extent and duration such responsibility was expressly assumed under the Contract as modified by this Settlement Agreement or provided for under applicable law, including responsibility for patent defects (as defined in California Code of Civil Procedure Section 337.10) and for latent defects (as defined in California Code of Civil Procedure Section 337.15).

The provisions of Section 14 of this Settlement Agreement are not meant to extend the liability of VEOLIA related to patent or latent defects. Rather, the legal protections in the event such defects are discovered are preserved as if this Settlement Agreement were not in effect.

15. REPRESENTATIONS AND WARRANTIES

Each Party hereto represents and warrants as follows:

A. That the person or persons who executes this Settlement Agreement on behalf of the respective Party has full and complete authority to enter into the Settlement Agreement and to perform all acts and incur all obligations created under this Settlement Agreement without the consent or approval of any other party or person, except for consent or approval which has been given.

B. That each Party has been fully advised by counsel of the contentions made in connection with the matters that are being released herein and of the legal consequences of entering into this Settlement Agreement.

C. That the breaching Party hereby agrees to indemnify and hold harmless the other Party to this Settlement Agreement in the event that any party is claimed to have breached the warranties set forth in this Section 15 and/or misrepresented its authority with respect to said warranties.

16. RELATED PARTIES

This Settlement Agreement shall apply to and release all Related Parties to the parties to this Settlement Agreement. As used herein, the term "Related Parties" shall mean any heir, executor, administrator, successor, successor-in-interest, affiliate, assignee, assignor, attorney, surety, subsidiary, employee (whether former or current), officer (whether former or current), board member (whether former or current), shareholder, or alter ego, principal, partner, or successor in interest of either the CITY or VEOLIA.

17. WAIVER OF RIGHT TO MAINTAIN ACTION

Each Party hereto agrees that it will not bring, commence, maintain, or prosecute any action at law or proceeding in equity against the other party with regard to any matter which is released under this Settlement Agreement.

18. RELEASE AS A DEFENSE

Each party hereto agrees that this Settlement Agreement may and shall be pled as a full and complete defense to, and it may be used as a basis for an injunction against, any action or proceeding instituted, prosecuted, or maintained with regard to any matter which is released under this Settlement Agreement.

19. CAPTIONS

Paragraphs, titles, or captions are designated for convenience only and shall in no way define, limit, extend, or describe the scope of this Settlement Agreement.

20. GOVERNING LAW

This Settlement Agreement shall be construed in accordance with the laws of the State of California.

21. TIME OF ESSENCE

Time is of the essence with respect to each provision of this Settlement Agreement.

22. ATTORNEYS' FEES

If any Party shall bring an action or proceeding against another Party to enforce any of the terms of this Settlement Agreement, the prevailing Party shall be entitled to an award of reasonable attorneys' fees and costs.

23. MODIFICATION

This Settlement Agreement may be modified only in writing executed by the party to this Settlement Agreement against whom enforcement of such modification is sought.

24. PARTIAL INVALIDITY

Each provision of this Settlement Agreement shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Settlement Agreement or the application of such provision to any person or circumstance is, to any extent, deemed to be invalid or unenforceable, the remainder of this Settlement Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected by such invalidity or unenforceability, unless such provision or such application of such provision is essential to this Settlement Agreement.

25. CONFLICT WITH CONTRACT

This Settlement Agreement amends and revises the Contract. To the extent that this Settlement Agreement conflicts with the Contract, the terms of this Settlement Agreement shall prevail. With respect to all other matters, the terms of the Contract shall remain in full force and effect.

26. COUNTERPARTS

This Settlement Agreement may be executed in counterparts, and by fax, and all so executed shall constitute an agreement which shall be binding upon all parties hereto, notwithstanding that the signatures of all parties' designated representatives do not appear on the same page.

27. ENTIRE AGREEMENT

This Settlement Agreement constitutes the entire Settlement Agreement between the Parties hereto regarding its subject matter. The terms of this agreement are contractual and are not a mere recital.

IT IS SO AGREED:

**VEOLIA WATER WEST
OPERATING SERVICES, INC.**

By:  _____

Philip Ashcroft

**VEOLIA WATER NORTH AMERICA
OPERATING SERVICES, LLC**

By: _____

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By: _____

**VEOLIA WATER NORTH AMERICA
OPERATING SERVICES, LLC**

By:  _____

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**VEOLIA WATER WEST
OPERATING SERVICES, INC.**

By: _____

OPERATING

**VEOLIA WATER NORTH AMERICA
SERVICES, LLC**

By: _____

CITY OF RICHMOND

By: _____

ATTEST:

CITY Clerk

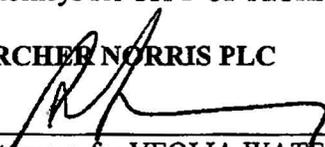
APPROVED AS TO FORM

CITY Attorney

GORDON & REES LLP

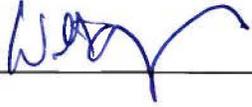
Attorneys for CITY OF RICHMOND

ARCHER NORRIS PLC



Attorneys for VEOLIA WATER NORTH
AMERICA OPERATING SERVICES, INC.

CITY OF RICHMOND

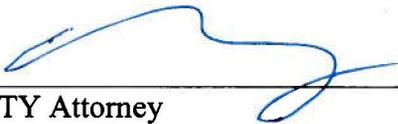
By:  _____

ATTEST:



CITY Clerk

APPROVED AS TO FORM



CITY Attorney

GORDON & REES LLP

Attorneys for CITY OF RICHMOND

ARCHER NORRIS PLC

Attorneys for VEOLIA WATER NORTH
AMERICA OPERATING SERVICES, INC.

CITY OF RICHMOND

By: _____

ATTEST:

CITY Clerk

APPROVED AS TO FORM

CITY Attorney

~~GORDON & REES LLP~~

~~_____ 12/18/09~~
Attorneys for CITY OF RICHMOND

ARCHER NORRIS PLC

Attorneys for VEOLIA WATER NORTH
AMERICA OPERATING SERVICES, INC.