

SETTLEMENT AGREEMENT AND MUTUAL RELEASE  
ADMINISTRATIVE CIVIL LIABILITY COMPLAINT NO. R6V-2008-0020

In the matter of:	)	
	)	
<b>Victor Valley Wastewater</b>	)	Settlement Agreement
<b>Reclamation Authority;</b>	)	And Mutual Release
<b>Complaint No. R6V-2008-0020</b>	)	
<b>For Mandatory Administrative</b>	)	
<b>Civil Liability</b>	)	

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This Settlement Agreement and Mutual Release ("Agreement") is made by and between the Assistant Executive Officer of the Regional Water Quality Control Board, Lahontan Region ("Regional Water Board") and the Victor Valley Wastewater Reclamation Authority ("VWVRA") (collectively referred to as "Parties"). The Parties enter into this Agreement because it is their collective desire to settle the violations alleged in Administrative Civil Liability Complaint No. R6V-2008-0020 in order to avoid the expense and uncertainty inherent in an administrative enforcement proceeding and potential litigation.

THE UNDERSIGNED PARTIES EXECUTE THIS AGREEMENT WITH REFERENCE TO AND IN CONTEMPLATION OF THE FOLLOWING FACTS:

1. On August 18, 2008, the Assistant Executive Officer of the Regional Water Board issued Administrative Civil Liability Complaint No. R6V-2008-0020 (Complaint), which proposed to assess administrative civil liability against VWVRA for certain alleged violations of effluent limitations prescribed by Board Orders No. 6-99-58 and No. R6V-2008-0004 (NPDES Permits).
2. The Parties, through their respective representatives, have reached a settlement agreement that includes the issuance of an Administrative Civil Liability Order for violations of the above-referenced NPDES Permits. The proposed Administrative Civil Liability Order is included hereto as Attachment A.
3. This Agreement is a final and binding resolution and settlement of all claims, violations or causes of action alleged in the Complaint, or which could have been asserted by the Regional Water Board based on the specific facts alleged in the Complaint against VWVRA, as of the effective date of an Order issued by the Regional Water Board approving the Agreement. The provisions of this paragraph are expressly conditioned on VWVRA's full satisfaction of all the obligations of the Agreement.
4. The general terms of the settlement are that VWVRA will pay, in exchange for a full and final release of the claims described in Paragraph 3, above,

an administrative civil liability of \$324,000. Of that sum, &170,380 shall be payable to the State Water Resources Control Board's Cleanup and Abatement Account. The remaining \$153,620 in administrative civil liability shall be permanently suspended upon the condition that VVWRA completes the agreed upon Supplemental Environmental Project (SEP) on schedule and as described in VVWRA's September 23, 2008 SEP Proposal. VVWRA's September 23, 2008 SEP Proposal is included hereto as Attachment B.

5. In order to facilitate the approval of the proposed settlement, and to carry out its terms, the Parties desire to enter into the following agreement.

NOW, THEREFORE, in exchange for their mutual promises and for other good and valuable consideration specified herein, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

6. VVWRA agrees that the Regional Water Board has subject matter jurisdiction over the matters alleged in the Complaint and personal jurisdiction over VVWRA.
7. The Parties agree to support, advocate for, and promote the proposed Administrative Civil Liability Order, described above before the Regional Water Board.
8. The Parties covenant and agree that they will not contest the proposed Administrative Civil Liability Order before the Regional Water Board, the State Water Resources Control Board, or any court.
9. The Parties agree that the proposed Administrative Civil Liability Order shall not take effect until adopted by the Regional Water Board.
10. VVWRA agrees to pay \$170,380 to the State Water Resources Control Board, payable to the State Water Resources Control Board's Cleanup and Abatement Account by December 12, 2008.
11. VVWRA agrees to implement and complete the SEP on schedule and as described in VVWRA's September 23, 2008 SEP Proposal
12. In the event that VVWRA does not perform its obligations under Paragraph 11, or as revised by the Executive Officer pursuant to Paragraph 14, the entire suspended administrative civil liability amount of \$153,620 shall, within 30 days after written notice by the Executive Officer, be paid to the State Water Resources Control Board's Cleanup and Abatement Account.

13. If VVWRA is unable to perform any activity or submit any document within the time required under this Agreement, VVWRA may, prior to expiration of the relevant compliance date, request an extension of time in writing. The extension request shall include a justification for the delay.
14. If the Executive Officer determines that good cause exists for an extension of time, it will grant the request and specify in writing a new compliance schedule. The Parties agree that the deadlines in the new compliance schedule shall be considered incorporated into this Agreement and binding on VVWRA, unless superseded by another compliance schedule granted pursuant to this Paragraph.
15. The Final Mojave River Characterization Study Report will, in part, include a final accounting of all SEP expenditures. The accounting will separate expenditures associated with the initial Mojave River Characterization Study required by Administrative Civil Liability Order No. R6V-2006-0055, and expenditures associated with activities identified in the September 23, 2008 SEP Proposal. Any unspent suspended liability associated with the September 23, 2008 SEP Proposal budget will become due and payable to the State Water Resources Control Board's Cleanup and Abatement Account within 15 days of the Executive Officer's written acceptance of the Final Mojave River Characterization Study Report.
16. VVWRA agrees that whenever it publicizes one or more elements of the SEP, it shall state in a prominent manner that the SEP is being undertaken as part of the settlement of an enforcement action against VVWRA by the Regional Water Board.
17. This Agreement and the proposed Administrative Civil Liability Order will be circulated for public notice and comment purposes by the Executive Officer.
18. In the event that this Agreement does not take effect because it is not approved by the Regional Water Board or its delegate, or is vacated in whole or in part by the State Water Resources Control Board or a court, the Parties acknowledge that they expect to proceed to a contested evidentiary hearing before the Regional Water Board to determine whether to assess administrative civil liabilities for the underlying violations, unless the Parties agree otherwise. The Parties agree that all oral and written statements and agreements made during the course of settlement discussions will not be admissible as evidence in the hearing. The Parties also agree to waive any and all objections related to their efforts to settle this matter, including, but not limited to: 1) objections related to prejudice or bias of any of the Regional Water Board members or their advisors and any other objections that are premised in whole or in part on the fact that the Regional Water Board members or their advisors

were exposed to some of the material facts and the Parties' settlement positions as a consequence of reviewing this Agreement, and therefore may have formed impressions or conclusions, prior to conducting any contested evidentiary hearing on the Complaint in this matter; or 2) laches or delay or other equitable defenses based on the time period that the order or decision by settlement may be subject to administrative or judicial review.

19. The Parties intend that the procedure that had been adopted for the approval of the settlement by the Parties and review by the public, as reflected by the proposed Administrative Civil Liability Order and this Agreement will be adequate. In the event objections are raised during the public comment period for the proposed Administrative Civil Liability Order, the Parties agree to meet and confer concerning any such objections, and may agree to revise or adjust the procedure as necessary or advisable under the circumstances.
20. Each Party executing this Agreement in a representative capacity represents and warrants that he or she is authorized to execute this Agreement on behalf of and to bind the entity on whose behalf he or she executes the Agreement.
21. This Agreement shall not be construed against any Party preparing it, but shall be construed as if the Parties jointly prepared this Agreement and any uncertainty and ambiguity shall not be interpreted against any one Party.
22. Each Party to this Agreement shall bear all attorney's fees and costs arising from that Party's own counsel in connection with the matters referenced herein, and any other costs incurred in defense or settlement of the proposed enforcement action.
23. The Parties shall execute and deliver all documents and perform all further acts that may be reasonably necessary to effectuate the provisions of this Agreement, including the delivery of any documentation reasonably requested by the Regional Water Board to ensure that the terms of the Agreement are being complied with.
24. The failure of the Regional Water Board or its staff to enforce any provision of this Agreement shall in no way be deemed a waiver of such provision, or in any way affect the validity of the Agreement. The failure of the Regional Water Board or its staff to enforce any such provision shall not preclude them from later enforcing the same or any other provision of the Agreement. The expiration of a deadline contained in the Agreement does not make the related provision unenforceable; on any Party's application, the Regional Water Board shall establish a new deadline. No

oral advice, guidance, suggestions or comments by employees, officials or members of the Regional Water Board regarding matters covered in the Agreement shall be construed to relieve VVWRA of its obligations under the Agreement.

25. This Agreement shall not be modified by any of the Parties by oral representation made before or after the execution of this Agreement. All material modifications must be in writing and signed by the Parties.
26. This Agreement shall be executed as duplicate originals, each of which shall be deemed an original Agreement, and all of which shall constitute one agreement.
27. This Agreement is entered into and shall be construed and interpreted in accordance with the laws of the State of California.
28. Notices and correspondence concerning this Agreement shall be sent by overnight or certified mail to the following addresses, in addition to electron mail. Any party may notify the other of a change of notice address by letter sent by overnight or certified mail.

For VVWRA:

Logan Olds, General Manager  
Victor Valley Wastewater Reclamation Authority  
15776 Main Street, Suite 3  
Hesperia, CA 92345

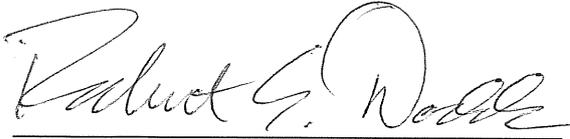
For the Regional Water Board:

Robert S. Dodds  
Assistant Executive Officer  
California Regional Water Quality Control Board, Lahontan Region  
2501 Lake Tahoe Blvd.  
South Lake Tahoe, CA 96150

In the matter of Victor Valley Wastewater Reclamation Authority  
**Settlement Agreement and Mutual Release**

IN WITNESS HEREOF, the Parties hereto have executed this Agreement as of the date set forth above.

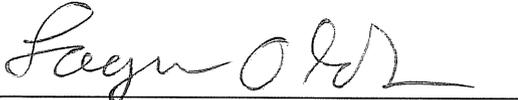
For Regional Water Board Assistant Executive Officer:



Robert S. Dodds  
Assistant Executive Officer

September 29, 2008  
(date)

For VVWRA:



Logan Olds  
General Manager

24 Sept 08  
(date)

Attachments:

- A. Proposed Administrative Civil Liability Order
- B. Victor Valley Wastewater Reclamation Authority's September 23, 2008 SEP Proposal