



MWH

October 5, 2010

R. Dennis Delzeit
974 Camino Caballo
Nipomo, CA 93444

Attention: Mr. Dennis Delzeit
MBCSD Project Manager

Subject: MBCSD WWTP Upgrade Project
Recent *SLO Coast Journal* Article

Dear Dennis,

An article entitled “Leading Construction Firm for Wastewater Treatment Plant Loses Big Contract with City of New Orleans” in the *SLO Coast Journal* by Jack McCurdy dated October 2010 was recently brought to my attention. The article states that the City of New Orleans cancelled the MWH contract for recovery work. Unfortunately, this article is riddled with inaccuracies.

As you may receive questions about MWH and our New Orleans contract, I wanted to take the opportunity to provide you with factual information. There are a number of incorrect statements in the article, many of which were previously addressed in a letter to Bruce Keogh – Wastewater Division Manager/City of Morro Bay and Bill Callahan – District Manager Cayucos Sanitary District dated April 5, 2010. I will address in this letter two new issues referred to in the subject article that are significant:

- MWH recovery work contract in New Orleans
- Defrauding of MWH by a former New Orleans Sewerage and Water Board member.

MWH recovery work contract in New Orleans

Over the last six months, there has been media attention surrounding the MWH recovery work contract with the City of New Orleans because of a report issued by the New Orleans Office of the Inspector General (OIG). And, despite what was happening in the media, MWH and the City of New Orleans supplied facts and data in response to the OIG report to show that the recovery work contract was awarded to MWH after an open procurement process that involved the management of the City of New Orleans public works and capital projects teams. MWH was able to prove it complied with its contractual commitments and

did not violate any of the terms of its contract or result in billings to the City in excess of the amounts supported under the terms of the agreement.

In May 2010, the Landrieu Administration announced its desire to make the City of New Orleans self-sufficient as it rebuilds and prepares for future hurricanes. At that time, the new administration began a transition of project management functions from MWH to the City.

In June 2010, the City of New Orleans extended the contract with MWH for 90 days to allow for a transition period. MWH worked with the City management to make this transition as seamless as possible and to limit disruption to the recovery program. As MWH approached the end of the contract term, the City considered whether to continue with transitional support and then determined it was ready to take the program to an internal City function. MWH is pleased the transition went well and that the City believes it is ready to handle the recovery program internally. The MWH contract with the City of New Orleans ended on September 30, 2010 with the completion of our work.

Defrauding of MWH by a former New Orleans Sewerage and Water Board member

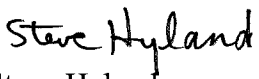
The *SLO Coast Journal* article also included statements about a recent sentencing of a former City of New Orleans Sewerage and Water Board member. In February 2010 following a long investigation, in which MWH cooperated fully, the U.S. Attorney issued a statement and factual basis which said that MWH was defrauded by former Sewerage and Water Board Member, Benjamin Edwards. From 1999 to 2005, MWH donated approximately \$99,000 to the Third Shiloh Missionary Baptist Church Scholarship Fund based on Edwards' false assurances that the money would fund scholarships for needy students in the New Orleans area. As a result of the government's investigation in this matter, MWH learned that it had been defrauded and that its donations did not reach the students MWH intended to help. In June 2010, The United States District Court for the Eastern District of Louisiana sentenced Benjamin Edwards. As part of its sentencing, the Court ordered Edwards to pay restitution to MWH.

It is unfortunate that the recent article contains inaccuracies and implied allegations of improper behavior by MWH. It is important that we are transparent with our clients, and we appreciate the opportunity to provide you factual information regarding our work with the City of New Orleans. As before, we would like to assure you that the controversy surrounding our work in New Orleans will not impact our performance for the MBCSD

WWTP Upgrade Project. MWH is committed to delivering a Project that meets scope, schedule, budget, and quality and that exceeds your expectations.

Please contact me at (925) 627 - 4711 if you have any questions.

Very truly yours,


Steve Hyland

- c. Bill Callahan
- Andrea Lueker
- Rob Livick
- Bruce Keogh
- Dylan Wade
- JaNell Cook
- Mike Watson
- Dan McConville