

Deferred Prosecution Agreement

1. Operations Management International, Inc. (“OMI” or the “Company”) by its undersigned attorneys, pursuant to authority granted by its Board of Directors, and the United States Attorney’s Office for the District of Connecticut (the “Office”), enter into this Deferred Prosecution Agreement (the “Agreement”). Except as specifically provided below, the Agreement shall be in effect for a period of 24 months from the date it is fully executed.
2. The Office has informed OMI that it will file, on or shortly after the date this Agreement is fully executed, an Information in the United States District Court for the District of Connecticut charging OMI with failure to comply with reporting requirements under the Clean Water Act, 33 U.S.C. § 1319(c)(1)(A).
3. OMI and the Office agree that, upon filing of the Information in accordance with the preceding Paragraph, this Agreement shall be publicly filed in the United States District Court for the District of Connecticut.
4. In light of OMI’s efforts to date, as outlined below, and its willingness to: (a) acknowledge responsibility for the conduct at its wastewater treatment facilities located at 345 East Shore Parkway, New Haven, Connecticut and 60 South Street, Norwalk, Connecticut (the New Haven and Norwalk facilities, respectively); (b) continue its cooperation with the Office and other governmental regulatory agencies; (c) conduct operations at the New Haven and Norwalk facilities in compliance with all applicable environmental laws; and (d) consent to the payment of \$2 million as set forth in Appendix A, the Office shall recommend to the Court that prosecution of OMI on the Information filed pursuant to Paragraph 2 be deferred for a period of 24 months from the filing date of the Information. If the Court declines to defer prosecution for any reason, this Agreement shall be null and void, and the parties will revert to their pre-Agreement positions.
5. OMI has undertaken significant reforms to ensure and enhance its compliance with environmental laws and regulations in response to the investigation by the Office. Steps taken to date include:
 - a) OMI reviewed and reevaluated its existing compliance protocol and subsequently developed, adopted and implemented an extensive nationwide compliance and auditing program, including at all of its Connecticut facilities. This new program includes a detailed checklist of compliance and reporting requirements required under the permit at each particular site. Legal and technical teams now provide more careful review and dedicated assistance to each facility. This review and audit program has resulted in several voluntary disclosures to appropriate State agencies across the United States and has been applied to all of OMI’s 116 plants nationally. The President of the company telephoned every Project Manager and instructed him or her on the importance of the program and that this protocol was mandatory and would be the subject of compliance audits.

OMI has substantially increased the personnel and resources dedicated to environmental compliance. In December, 2002, OMI appointed a Director of Environmental Compliance to provide national leadership in the design and implementation of environmental compliance training and compliance assurance programs. Six new persons were added to assist with these programs, augmenting OMI's compliance and reporting group. In addition to the plant-specific permit compliance checklists and training support described above, these personnel implement the nationwide compliance audit program. Two major training courses were provided to all OMI personnel. These training courses were conducted in two phases. Phase I entitled "Compliance and Reporting, Values at Work" was initiated in June 2003. Phase II entitled "Roles and Responsibility, Associates Working as a Team to Achieve the Goal" and a Phase II(a) entitled "Compliance and Reporting for Project Managers" was given during September 2003 through February 2004 by Compliance and Reporting Group trainers working with the Manager of Quality and Technology and senior operations personnel. Annual refresher training is provided, supplemented with additional plant-specific training.

The training has included case studies designed to focus employees on real life situations. This culture of compliance as a top priority is reinforced by the furnishing to all employees of a Standard Operating Procedure making clear that full compliance, and reporting of any non-compliance, is every employee's job. The first round of compliance audits at OMI's plants has been completed and followed by corrective action plans to remedy any deficiencies. The program calls for additional audits at three year intervals, or more frequently as needed, as well as focused reviews whenever problems arise.

- c) OMI has installed a telephone "helpline" for its employees nationwide to report any perceived or suspected compliance or ethical problems and has established a process by which issues raised can be quickly brought to the attention of upper management. This "helpline" can be accessed by e-mail or fax as well as by telephone. This establishment of the helpline was accompanied by the delivery of enhanced ethics training for all employees. OMI reviewed and strengthened its preexisting ethics program and has since provided annual ethics refresher training to all personnel. To date, the helpline has been used on a number of occasions, resulting in corrective action taken by OMI and in several instances voluntary disclosures to the relevant regulatory authorities.
- d) OMI has spent over \$6 million to implement the enhanced corporate compliance program described above.
- e) OMI increased its periodic project compliance reviews, laboratory reviews and pretreatment program reviews at each of its Connecticut facilities. In particular, the laboratory reviews have been expanded so that the reviewing team not only

provides instructions to remedy any apparent noncompliance or failure to follow best practices, but in addition the reviewing team remains on site to write or revise any new procedures and provides training to make sure that the laboratory personnel have the tools they need to ensure compliance. This enhanced compliance program now continues on a routine basis.

- f) OMI removed and replaced its Operations Manager at the New Haven facility, its New Haven Project Manager, and its Regional Business Manager and Regional Vice President. The new leadership has placed the highest priority on compliance assurance and reporting of noncompliance, once identified.
- g) OMI replaced the manual feed chlorine disinfection system at the New Haven facility, which was more difficult to monitor, with a state-of-the-art feed system. The new system constantly monitors chlorine levels in the effluent and makes any necessary modifications to accommodate fluctuations in water flow.
- h) Starting in November, 2002, OMI has taken a number of steps to improve the operating performance and compliance and reporting procedures at the Norwalk facility. Internal reviews conducted by OMI indicated that there was room for improvement with respect to sampling procedures and compliance reporting. Two days of compliance training was provided to the Norwalk personnel responsible for compliance assurance and reporting, including training on the use of the NPDES permit-specific compliance checklist described above. OMI reviewed the standard operating procedures (SOPs) at the Norwalk plant and revised a number of them and created new ones in order to improve the performance of its operations personnel with respect to plant operations, compliance with regulatory requirements and reporting.
- i) To strengthen management, OMI removed and replaced its Project and Maintenance Managers at its Norwalk facility. The compliance performance of the Norwalk plant following implementation of the procedures described above, as reflected in the Monthly Operating Reports submitted to the state and to the U.S. Environmental Protection Agency, has significantly improved.
- j) To address a past problem involving occasional exceedences in the Norwalk facility of total suspended solids limits in the effluent, which occasionally caused a discoloration in receiving waters, OMI designed and implemented a Uniform Process Control Procedure which was piloted during the second half of 2003 and completed in the Spring of 2004. As a result, there have been no recurrences of such instances since June, 2003. As a further precaution, OMI installed a supplemental polymer addition system to the final clarifiers at Norwalk.

6. OMI shall maintain and continue to implement the reforms and compliance measures already undertaken.

7. OMI agrees to continue its environmental management system at the New Haven and Norwalk facilities. OMI agrees to conduct quarterly external audits or external reviews of the system during the term of this Agreement. OMI agrees to provide the Office with a copy of each of these reports. To the extent that any nonconformities or deficiencies are discovered, OMI will take appropriate corrective action.

8. OMI admits, accepts and acknowledges responsibility for the facts set forth in the Statement of Facts attached as Appendix B ("Statement of Facts") and incorporated by reference herein by entering into this Agreement.

9. OMI agrees that in the event that future criminal proceedings are brought by the Office in accordance with this Agreement, OMI will not contest the admissibility of the Statement of Facts in any such proceedings. Nothing in this Agreement shall be construed as an acknowledgment by OMI that the Agreement, including the Statement of Facts, is admissible or may be used in any proceeding other than in a proceeding brought by the Office.

10. OMI expressly agrees that it shall not, through its present or future attorneys, Board of Directors, agents, officers or employees, make any public statement contradicting any statement of fact contained in the Statement of Facts or its acknowledgement that failure to comply with reporting requirements under the Clean Water Act is a serious matter, as reflected by the efforts and resources the company has committed and will continue to commit to raise the industry bar for regulatory compliance. Any such contradictory public statement by OMI, its present or future attorneys, Board of Directors, agents, officers or employees, shall constitute a breach of this Agreement and OMI would thereafter be subject to prosecution pursuant to the terms of this Agreement. The decision of whether any public statement by any such person contradicting a fact contained in the Statement of Facts or the acknowledgement above will be imputed to OMI for the purpose of determining whether OMI has committed a knowing and material breach of this Agreement shall be at the sole discretion of the Office. Should the Office notify OMI of a public statement by any such person that in whole or in part contradicts a statement of fact contained in the Statement of Facts or the acknowledgement above, OMI may avoid breach of this Agreement by publicly repudiating such statement within twenty-four (24) hours after such notification. This paragraph is not intended to apply to any statement by any former OMI employee, officer or director, or any OMI employee, officer or director testifying in any proceeding in an individual capacity and not on behalf of OMI.

11. OMI agrees that its continuing cooperation during the term of this Agreement shall include, but shall not be limited to, the following:

(a) Not engaging in or attempting to engage in any criminal conduct at any of its facilities located in the District of Connecticut.

(b) Delivering to the Office copies of all memoranda of interviews conducted of OMI employees relating to the matters which have been under investigation by the Office regarding the New Haven and Norwalk facilities. By agreeing not to assert any

claim of privilege (including but not limited to the attorney-client and the work product protection privileges) as to any such memoranda in providing them to the Office, it is agreed that OMI does not waive, and shall not be deemed to have waived, any such privilege, and may assert the attorney-client privilege, work product protection privilege, or other privileges with respect to any such memoranda or the subject matter or information contained therein with respect to any third party.

(c) The Office will maintain the confidentiality of the materials disclosed in Paragraph 11(b) and will not disclose them to any third party, except to the extent that the Office determines, in its sole discretion, that disclosure is otherwise required by law or would be in furtherance of the discharge of the duties and responsibilities of the Office.

(d) Making available OMI officers, directors, and employees and using its best efforts to make available former OMI officers, directors, and employees to provide information and/or testimony at all reasonable times as requested by the Office, including sworn testimony before a federal grand jury or in federal trials, as well as interviews with federal law enforcement authorities.

(e) Providing testimony, certifications, and other information deemed necessary by the Office or a court to identify or establish the original location, authenticity, or other evidentiary foundation necessary to admit into evidence documents in any criminal proceeding as requested by the Office.

(f) OMI agrees, if requested by the Office during the term of this Agreement, to call a meeting, on a date and place mutually agreed upon by OMI and the Office of management and other OMI persons identified by the Office for the purpose of communicating the goals and expected effect of this Agreement.

12. OMI acknowledges and understands that its prior, ongoing and future cooperation are important factors in the decision of the Office to enter into this Agreement, and OMI agrees to continue to cooperate fully with the Office, and with any other governmental agency designated by the Office, regarding any issue about which OMI has knowledge or information.

13. The Office may continue to investigate current and former OMI employees. Nothing in this Agreement restricts in any way the ability of the Office to investigate and prosecute any OMI employee or former OMI employee.

14. Should the Office determine that, during the term of this Agreement, OMI knowingly and materially breached this Agreement, including committing any criminal conduct as referenced in Paragraph 11(a), OMI shall, in the discretion of the Office, thereafter be subject to prosecution for any federal crimes of which the Office has knowledge, including crimes relating to the matters set forth in the Statement of Facts.

15. Should the Office determine that, during the term of this Agreement, OMI knowingly and materially breached this Agreement, including committing any criminal conduct as referenced in Paragraph 11(a), the Office shall provide written notice to OMI of the alleged breach and provide OMI with a two-week period in which to make a presentation to the Office to demonstrate that no breach occurred, or, to the extent applicable, that the breach was not material or knowingly committed. The parties understand and agree that should OMI fail to make a presentation to the Office within a two-week period after receiving written notice of an alleged breach, it shall be conclusively presumed that OMI is in breach of this Agreement. The parties further understand and agree that the determination whether OMI has breached this Agreement rests solely in the discretion of the Office, and the exercise of discretion by the Office under this Paragraph is not subject to review in any court or tribunal outside the Department of Justice. In the event of a breach of this Agreement that results in a prosecution of OMI, such prosecution may be premised upon any information provided by or on behalf of OMI to the Office at any time, unless otherwise agreed when the information was provided.

16. OMI shall expressly waive all rights to a speedy trial pursuant to the Sixth Amendment of the United States Constitution, Title 18, United States Code, Section 3161, Federal Rule of Criminal Procedure 48(b), and any applicable Local Rules of the United States District Court for the District of Connecticut, for the period that this Agreement is in effect.

17. OMI agrees to waive the statute of limitations with respect to any crime that would otherwise expire during the term of this Agreement, and this waiver is knowing and voluntary and in express reliance on the advice of counsel.

18. This Agreement expires 24 months after the date of its execution by all parties, except that, in the event that the Office is conducting an ongoing investigation, prosecution or proceeding related to the facts set forth in the Statement of Facts, the provisions of Paragraph 11 regarding the Company's cooperation shall remain in effect until such investigation, prosecution or proceeding is concluded.

19. The Office agrees that if OMI is in full compliance with all of its obligations under this Agreement, the Office, within ten days of the expiration of the Agreement, will seek dismissal with prejudice of the Information filed pursuant to Paragraph 2. Except to the extent Paragraph 14 is implicated, upon the conclusion of the term of this Agreement, the Office agrees that it will not prosecute OMI for matters known to and investigated by this Office at the time of the execution of this Agreement.

20. OMI agrees that, if it sells or merges all or substantially all of its business operations as they exist as of the date of this Agreement to or into a single purchaser or group of affiliated purchasers during the term of this Agreement, it shall include in any contract for sale or merger a provision binding the purchaser/successor to the obligations described in this Agreement.

21. It is understood that this Agreement is limited to OMI and the Office on behalf of the U.S. Department of Justice and cannot bind other federal, state or local authorities. However, the

Office will bring this Agreement and the cooperation of OMI and its compliance with its other obligations under this Agreement to the attention of other prosecuting offices, if requested to do so.

22. This Agreement constitutes the full and complete agreement between OMI and the Office and supersedes any previous agreement between them. No additional promises, agreements, or conditions have been entered into other than those set forth in this Agreement, and none will be entered into unless in writing and signed by the Office, OMI's counsel, and a duly authorized representative of OMI. It is understood that the Office may permit exceptions to or excuse particular requirements set forth in this Agreement at the written request of OMI, but any such permission shall be in writing.

AGREED TO:

MARK LASSWELL
President
Operations Management International, Inc.

Date: _____

KEVIN J. O'CONNOR
United States Attorney
District of Connecticut

Date: _____

APPENDIX A

OMI agrees that, following the approval and effective date of this Agreement, it will make a total payment of \$2 million as follows:

1. \$1 million to the Alumni Association for the United States Coast Guard Academy, New London, Connecticut to fund an Endowed Chair of Environmental Studies, as more fully detailed in the proposal attached hereto.
2. \$1 million to the Greater New Haven Water Pollution Control Authority (WPCA), New Haven, Connecticut, to fund one or more of specific facility and environmental improvement projects and to the Long Island Sound Fund and/or Study, if funds remain available. The parties recognize that a preliminary engineering cost estimate is necessary for the parties to make a practical assessment of the scope of the work to be undertaken at the WPCA and will evaluate the appropriate allocation of monies, once that estimate is completed absent undue delay. The parties agree that cost of the preliminary engineering cost estimate will be paid out of the \$1 million payment.

APPENDIX B / STATEMENT OF FACTS

Operations Management International (“OMI”) is a corporation duly organized under the laws of the State of California with its office and principal place of business in Englewood, Colorado.

OMI is engaged in the business of providing wastewater treatment services and operates wastewater treatment plants at various locations around the country, typically under contract with the municipalities who own those facilities.

Since on or about January 3, 1999, OMI has operated the wastewater treatment facility which is owned by the City of New Haven (the “City”), managed by the New Haven Water Pollution Control Authority, and located at 345 East Shore Parkway, New Haven, Connecticut (“the Facility”), under contract with the City.

At all relevant times since OMI began performance of this contract there has been in effect a permit issued by the Connecticut Department of Environmental Protection (“DEP”) under the Clean Water Act to the New Haven Water Pollution Control Authority which, among other things, imposes certain conditions on the quality of the effluent discharged from the Facility to the receiving waters in New Haven Harbor. As the contract operator of the Facility, OMI was obligated to comply with those effluent limitations imposed by the permit.

Among other things the permit has contained an effluent limitation for residual chlorine, which provides that chlorine in the effluent, as reflected in four “grab” samples to be taken during the day, shall not exceed 1.5 milligrams per liter (“mg/l”) nor be lower than 0.2 mg/l. In addition, certain regulations promulgated by the DEP are incorporated by reference into the permit, including 1) R.C.S.A. § 22a-430-3(j)(6), which provides that “[i]f the permittee monitors any discharge more frequently than required by the permit using test procedures approved under 40 CFR Part 136 or specified in the permit, the results shall be included in the calculation and reporting of the data in the monitoring report”; and 2) R.C.S.A. § 22a-430-3(j)(7), which provides that “[t]he permittee ... shall ensure that samples and measurements taken for the purpose of monitoring compliance with permit terms and conditions ... are representative of monitored activity.” As the contract operator, OMI knew of these requirements and was responsible for submitting to the Connecticut DEP the Monthly Operating Reports (MORs) and Discharge Monitoring Reports (DMRs) required by the New Haven permit.

The OMI operators typically collected the chlorine grab samples at 9:00 a.m., 11:00 a.m., 1:00 p.m., and 3:00 p.m. each day. Before bringing each sample to OMI’s laboratory for analysis, the operators conducted a chlorine field test using a Hach test kit. These field tests were not required by the permit but enabled the operators to make adjustments to the plant’s manual chlorine feed system. After completing the field test and adjusting the chlorine addition, the operator brought the sample to OMI’s on-site laboratory. There, OMI laboratory technicians analyzed the sample and recorded the results in a chlorine

bench book. Each day, the bench book data was summarized on a laboratory data sheet. Those sheets, along with the bench books, were reviewed by the laboratory manager who entered the data into the “Ops 10” computerized data system. Other OMI managers used the data in the Ops 10 system to prepare MORs and DMRs.

Because of the variability of the wastewater and the limitations of the manual chlorine feed system, the New Haven plant did not always operate within the residual chlorine limits. As a consequence, sometimes, when the operators collected the four daily samples identified above and undertook a process check of chlorine level, potential chlorine exceedences were detected by the operators. On these occasions, the operators discarded the sample, adjusted the chlorine, and then collected a new sample. At least one person in OMI management at the New Haven plant was aware of this practice.

Chlorine samplings that were outside the permit range that were not detected by the operators’ field tests were caught by the more sensitive analyses performed in OMI’s on-site laboratory. On fifteen occasions between July 26, 2000 and September 18, 2002, OMI’s laboratory technicians identified a sample outside permit range. The laboratory technicians recorded the results of the sample in the laboratory chlorine bench book, but not on the laboratory data sheet, and instructed the OMI operators to collect an additional sample. At least one member of OMI management at the New Haven facility was aware of this practice, including that the samples outside the permit range were ultimately not entered in the Ops 10 system and not reported on the relevant MORs and DMRs.

The Clean Water Act permit which was in effect for the New Haven facility in December, 2001, and until it was replaced with a new permit effective March 28, 2002, provided that final effluent samples for Biochemical Oxygen Demand (“BOD”) and Total Suspended Solids (“TSS”) be taken on at least 12 days per month using a “composite” daily sample. Between January 1999 and March 28, 2002, Section 3.D(5) of the permit defined a “composite” sample as follows:

For the purpose of this section the term “composite” shall mean a “Daily Composite” as defined in Section 22a-430-3(a)(3) of The Regulations of Connecticut State Agencies or a sample consisting of a minimum of eight aliquot samples collected at equal intervals of no less than 30 minutes and no more than 60 minutes and combined proportionally to flow over the sampling period provided that during the sampling period the peak hourly flow is experienced.

The new permit, issued on March 28, 2002, modified that definition as follows:

“Daily composite” or “(DC)” means a composite sample taken over a full operating day consisting of grab samples collected at equal intervals of no more than sixty (60) minutes and combined proportionally to flow; or, a composite sample continuously collected over a full operating day proportionally to flow.

Prior to December 13, 2001, OMI personnel at the New Haven facility used an automatic sampling device known as an “autosampler” to gather final effluent composite samples for analyses to ascertain compliance with the relevant effluent limitations. In September of 2001, the equipment began not to function properly. As a result the operators frequently augmented the sample with additional effluent before bringing it to the laboratory for analysis, a practice known by at least one member of OMI management at the New Haven facility.

By December 13, 2001, OMI took the autosampler off-line and replaced it with manual grab sampling. This grab sampling program called for taking eight flow-proportional samples per day. OMI management at the New Haven facility were aware of the permit requirements, including that manual sampling was permitted, but did not follow the permit requirement that the samples be taken at intervals no more than 60 minutes apart. The manual grab sampling program continued until approximately June 6, 2002, when the autosampler was repaired at a cost of \$750 and put back on-line.

Pursuant to its 2000 contract with the City of Norwalk, OMI has been responsible for operating the Norwalk wastewater treatment plant located at 60 South Smith Street since June of 2000. At all relevant times, OMI operated the plant to maximize nitrogen removal by maintaining a higher than normal level of sludge in the plant clarifiers. The clarifiers are large settling tanks in which solids sink to the bottom and are collected for disposal while effluent is designed to flow over the top of the clarifiers through the process for disinfection and discharge. However, higher than normal levels of sludge can cause disruptions in the clarifiers, interfere with settling and cause solids to wash into the discharge. Between June 2000 and October 2002, higher than normal levels of sludge caused the clarifiers to overflow and resulted in several solid washouts. OMI was aware of the washouts but did not report them to DEP in the manner required by the DEP discharge permit issued to the City of Norwalk.

There is no evidence that the reporting violations described above resulted in harm to human health or the environment.

OMI agrees to accept responsibility for the conduct at the New Haven and Norwalk facilities. OMI does not ratify or condone this noncompliance with its reporting obligations under the permit and has taken substantial measures to prevent such conduct from occurring in the future.