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July 1, 2009

**Re: Veolia Water Class Action Lawsuit
Marion County Superior Court No. 7
Cause No. 49D07-0804-CC-018081**

To All Concerned Veolia Water Customers:

You are receiving this correspondence because you have indicated an interest in knowing more about the class action lawsuit against Veolia Water Indianapolis, LLC (“Veolia Water”) and the Department of Waterworks, City of Indianapolis (“Department”). This is my fifth update on the status of the lawsuit and related matters. The lawsuit was originally filed in April, 2008.

Status of the Lawsuit

In my last update of March 3, 2009, I informed you that we had filed an Amended Complaint after the Court dismissed our original Complaint on January 13, 2009. Several weeks after we filed our Amended Complaint, Veolia Water filed its Answer to the Complaint and a Motion for Summary Judgment. A Motion for Summary Judgment seeks dismissal of the lawsuit because, in Veolia Water’s opinion, there are no genuine issues of material fact and that dismissal of the lawsuit is required as a matter of law. Similarly, the Department filed a Motion to Dismiss the claims against it. We have responded to the Motion to Dismiss and are awaiting the Department’s reply. In conjunction with Veolia Water’s Motion for Summary Judgment, it sought to prevent Plaintiffs from conducting discovery. Discovery is the process of collecting facts relevant to the lawsuit through interrogatories, requests for documents, or depositions. We objected to Veolia Water’s motion and the Court ruled in favor of our objection. Consequently, we are expecting Veolia Water to produce information and documents in response to our discovery requests within the next week or two. The Court has not yet set a hearing on either the Motion for Summary Judgment or the Motion to Dismiss. All of the documents I have mentioned above are available at our website www.silegal.com. Look for the Veolia Class Action Update link. Copies of the above filings are located under the link “Complaint and Court Filings.”

Other Recent Developments

As some of you may have noticed, the Indiana Utility Regulatory Commission (“IURC”) granted the Department’s request for an emergency rate increase on June 30, 2009. Originally, the Department requested a rate increase of 17.56%. After conducting hearings, the IURC found that the Department’s rates should be increased by 12.27%. However, the IURC’s Order roundly criticized several aspects of the operation and management of the Indianapolis Water Company, including its financial relationship with Veolia Water. More importantly for this case, the IURC spoke to one of the main allegations of this lawsuit. I quote from the Order the following paragraph:

The Commission [IURC] has also recently conducted an informal investigation into the Department’s billing practices as a result of complaints received by the Commission’s Consumer Affairs Division in early 2008. These complaints resulted from a number of estimated bills that were significantly higher than actual use and where no meter reading was occurring for extended periods of time. While the customer issues appear to have been addressed, the Department has failed to take appropriate follow up action concerning the bill estimation method. The informal investigation revealed that the Department changed the bill estimation method reflected in its rules on file with the Commission without first seeking the Commission’s approval. It is now the middle of 2009 and the Department has yet to take any action to obtain the Commission’s approval for the change in bill estimation method.

One of the predominate complaints I have received from the hundreds of water customers who have contacted me over the past year is confirmed in the above language. That is, virtually all of you have complained that your water bills have been estimated for extended periods of time and that the estimated water volume on your bills seems far above your actual use. Your suspicions have apparently been confirmed by the IURC’s informal investigation. Although we do not yet know the specifics of what the IURC discovered, this is a strong indication that one of the core allegations of this lawsuit is based on fact. Rest assured that we will continue our investigation to substantiate these facts and obtain the relief you deserve. I encourage you to review the Order which I have posted on our website under “Rate Increase Information.”

For those of you that continue to have issues with your water bills, I encourage you to contact both Veolia Water and the IURC, Consumer Affairs Division. Veolia Water’s Customer Service number is on your water bill. You can contact the IURC’s Consumer Affairs Division at 317-232-2712. Please understand that I cannot help each


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of you with your individual issues. Be sure to keep all of your records, including e-mails and other communications, with either Veolia Water or the IURC.

I hope this update has been informative. Please contact me by e-mail if you have any questions. If you do not wish to receive future updates, please let me know.

Very truly yours,

STEWART & IRWIN, P.C.

A handwritten signature in black ink, appearing to read 'Peter S. Kovacs', followed by a long horizontal line extending to the right.

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