

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release (this "Agreement") is made by and between CEM Enterprises, Inc. ("CEM") and the City of Gainesville, a Florida Municipality (the "City") and shall be deemed entered into as of the date of the signature of the last party representative to sign this Agreement (the "Effective Date")

Recitals

WHEREAS, on August 4, 2005, CEM filed a civil action against the City styled *CEM Enterprises, Inc. v. City of Gainesville*, case number 05-CA-3143 in the Circuit Court for the Eighth Judicial Circuit, in and for Alachua County, State of Florida (the "Civil Action"), seeking damages for the City's alleged breach of a contract with CEM involving the stabilization of the Sweetwater Branch Creek in Gainesville, Florida (the "Contract"); and

WHEREAS, on September 8, 2005, the City filed a counterclaim against CEM in the Civil Action seeking damages the City incurred as a result of CEM's alleged breach of the Contract; and

WHEREAS, on September 13, 2006, a jury entered a verdict in favor of CEM and awarded CEM damages in the amount of \$734,549.70, which did not include attorneys' fees, prejudgment interest and costs; and

WHEREAS, on November 21, 2006, the Court denied the City's motion to set aside the finding of liability against the City, but did vacate the jury's award of damages and order a new trial as to the amount of damages; and

WHEREAS, on January 23, 2008, the First District Court of Appeal, State of Florida affirmed the Court's order denying the City's motion for a new trial as to the City's liability, but ordering a new trial as to damages; and

WHEREAS, the Parties engaged in a mediation on May 30th 2008 and at said mediation, CEM demanded payment of approximately \$1.6 million, which amount included the amount of damages awarded by the previous jury, additional damages CEM intended to argue were attributable to the breach of contract, attorneys' fees, prejudgment interest and costs; and

WHEREAS, at the mediation the Parties reached an agreement to resolve the issues and claims between them as being in their best interest and in the interest of avoiding further litigation, including another jury trial and costs;

NOW, THEREFORE, it is hereby stipulated and agreed by and between the undersigned Parties based upon the foregoing premises and in consideration of the promises, mutual covenants, and agreements set forth herein, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, as follows:

1. **Settlement Funds:** The City agrees to pay a single collective payment of \$900,000.00 (Nine Hundred Thousand Dollars) to CEM's counsel within 30 days from the date this Settlement Agreement is approved by the Gainesville City Commission, in full and final settlement of the Civil Action. If the Gainesville City Commission does not approve the Settlement Agreement on or before July 15, 2008, CEM may rescind this Settlement Agreement.

2. Dismissal with Prejudice of Civil Action. Within five (5) days of receipt of the Settlement Funds by CEM's counsel, CEM and the City will execute a Joint Stipulation for the Dismissal of the Civil Action with Prejudice, including the dismissal of all pending claims for attorneys' fees and costs.

3. Release (CEM): CEM, on behalf of itself and its present or former officers, directors, trustees, managers, shareholders, employees, attorneys, administrators, representatives, principals, agents, parents, subsidiaries, affiliates, successors, and assigns (together, the "CEM Releasers"), hereby releases and covenants not to sue or seek any relief against the City or its present and past elected officials, employees, representatives, agents, administrators, attorneys and public officers (together, the "City Releasees") both individually and also in their official capacity from any claim, demand, or liability whatsoever, whether known or unknown, matured or unmatured, direct or indirect, which any of the CEM Releasers ever had or may now have against any of the City Releasees, jointly or severally from the beginning of time to the effective date of this Agreement related to the Sweetwater Branch Creek Construction Project and related litigation (including, without limitation, the matters raised in the Civil Action).

4. Release (City): The City, on behalf of itself and its present and past elected officials, employees, representatives, agents, administrators, attorneys and public officers (together, the "City Releasers"), hereby releases and covenants not to sue or to seek any relief against CEM, or any of its present or former officers, directors, trustees, managers, shareholders, employees, attorneys, administrators,

representatives, principals, agents, parents, subsidiaries, affiliates, successors, or assigns and CEM's surety, The Hartford (together, the "CEM Releasees") jointly or severally, from any claim, demand, or liability whatsoever, whether known or unknown, matured or unmatured, direct or indirect, which any of the City Releasers ever had or may now have against any of the CEM Releasees, from the beginning of time to the effective date of this Agreement related to the Sweetwater Branch Creek Construction Project and related litigation (including, without limitation, the matters raised in the Civil Action).

5. **City Reservation of Claims.** The City does not release any person or entity involved in the Sweetwater Branch Creek Project, except the CEM Releasees as defined in paragraph 4 above and expressly reserves any claims it may have against non-CEM Releasees.

6. **Understanding of Agreement.** The Parties hereby represent that they have completely read this Agreement, reviewed it with their own attorneys, and have been fully and adequately advised by their attorneys of the legal and practical consequences of executing this Agreement. The Parties represent that they are voluntarily entering into this Agreement free of any coercion or undue influence. The Parties represent that they are not physically or mentally impaired, and are not under the influence of alcohol, drugs, or any medication rendering them unable to fully understand this Agreement or to agree to be bound by it. The Parties agree that this Agreement should not be construed in favor of, or against, any party merely because they or their attorneys have drafted any portion of this Agreement;

and further agree that the title of this Agreement, and the paragraph titles, are included for ease of reference only, and shall have no bearing on the interpretation of this Agreement.

7. **Attorney Fees, Expenses, and Costs.** The Parties shall each bear their own attorneys' fees and costs associated with the Civil Action and any claims asserted therein. The prevailing party in any legal proceeding in which this Agreement, or any part of it, is sought to be enforced or interpreted (including, without limitation, any proceeding in which the release and/or covenant not to sue are asserted as defenses) shall be entitled to an award of its attorneys' fees and costs.

8. **Entire Agreement.** This Agreement contains the entire agreement and understanding between the Parties pertaining to the matters addressed herein, and supersedes any prior agreements between them. Should any part of this Agreement be severed, or deemed invalid or unenforceable, then the rest of the Agreement shall continue in force to the fullest extent possible.

9. **Florida Contract; Florida Law.** This Agreement shall be deemed to constitute a contract made and entered into under the laws of the State of Florida, and for all purposes this Agreement and its ancillary documents shall be construed and governed in accordance with the internal substantive laws of the State of Florida. Venue shall lie in Alachua County, Florida.

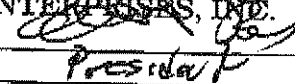
10. **Successors and Assigns.** The legal rights and obligations of this Agreement are intended to, and shall, inure to the benefit of and be binding upon

the signatories to this Agreement and their respective legal representatives, successors and assigns.

11. **Authority to Settle.** Each party to this Agreement represents and warrants that no other person or entity has any interest in the claims, demands, obligations or causes of action released by each of them, respectively, pursuant to this Agreement, and that each has the sole right and exclusive authority to execute this Agreement.

12. **Cooperation.** CEM agrees to provide reasonable cooperation and assistance to the City in resolving any future matters, including claims and/or litigation or arbitration, which the City may pursue relating to the Sweetwater Branch Creek Project. Said assistance and cooperation shall include providing the City access to CEM's project records without the need for subpoena and making available CEM witnesses for interview, deposition, or testimony at trial or arbitration without the need for a subpoena. Any costs attendant thereto shall be borne by the City.

13. **Counterparts.** This Agreement may be executed in one or more counterparts and/or by facsimile, each of which shall be considered an original and all of which shall constitute one instrument. A photocopy of this Agreement, including the Parties' signatures, shall be as effective and binding as the original.

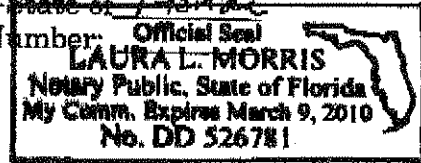
CEM ENTERPRISES, INC.
By: 
Its: President
Date: June 30, 2008

STATE OF FLORIDA
COUNTY OF Orange

The foregoing instrument was acknowledged before me this 30 day of June, 2008, by Charles E. Meeks, President of CEM ENTERPRISES, INC. on behalf of the corporation. Charles E. Meeks has produced NA as identification or is personally known to me.

(SEAL)
Laura L. Morris

Notary Public-State of Florida
Commission Number: _____



CITY OF GAINESVILLE

By: _____
Its: _____
Date: June _____, 2008

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of June, 2008, by _____ of CITY OF GAINESVILLE on behalf the municipality. _____ has produced _____ as identification or is personally known to me.

(SEAL)

Notary Public-State of _____
Commission Number: _____