

SETTLEMENT AGREEMENT

This Settlement Agreement (the “Agreement”) is effective this __th day of July 2026, by and between the Mayor and Council of Rockville, a Maryland municipal corporation acting through its City Manager (collectively, the “City”) and Norair Engineering Corp. (“Norair”) (collectively referred to as the “Parties”).

RECITALS

A. WHEREAS, on or about June 7, 2021, the City and Norair entered into Contract No. 01-21 (the “Contract”) pursuant to which Norair served as the general contractor for the construction of certain improvements to the Rockville Water Treatment Plant commonly referred to as the Rockville Water Treatment Plant Improvements: Electrical Systems Upgrade and Building Renovations (the “Project”); and

B. WHEREAS, the City determined that Substantial Completion of the Contract and Project was achieved on or about October 29, 2024; and

C. WHEREAS, there remains an open, unpaid Contract Balance, including retainage, of \$426,868 (“Contract Balance”) due and owing to Norair; and

D. WHEREAS, on or about November 5, 2024, Norair submitted NEC-019 to the City, asserting that Norair was entitled to \$2,287,520 as a result of additional time and additional sums for alleged additional work and delay caused by the City (the “NEC-019”). The City disputed Norair’s entitlement to the NEC-019; and

E. WHEREAS, the City contended that it was entitled to assess liquidated damages against Norair for late achievement of Substantial Completion. Norair disputed the City’s entitlement to liquidated damages.

F. WHEREAS, the Parties believe it is in their mutual best interest to fully settle this matter and avoid the further time and expense associated with dispute proceedings.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. **Recitals:** The Recitals set forth above are fully incorporated into this Agreement.
2. **Settlement Amount:** The City agrees to pay Norair the sum of One Million One Hundred Thousand Dollars (\$1,100,000) (the “Settlement Amount”). The Settlement Amount will be paid within 30 days of the City’s execution of this Agreement, provided that all Conditions of Final Payment described below are satisfied.
3. **Conditions of Final Payment:** The payment of the Settlement Amount shall constitute Final Payment under the Contract. Prior to the City’s payment of the Settlement Amount, Norair shall submit to the City the following: (a) consent of surety to Final Payment; (b) a final payment request pursuant to Paragraph 76 of the Contract’s General Terms and Conditions; and (c) a final conditional waiver as required by the Contract.

4. **Release of Retainage:** The Settlement Amount is inclusive of the retainage held by the City, and the City's payment of the Settlement Amount to Norair also constitutes Release of Retainage under Paragraph 77 of the Contract.

5. **Norair's Release of the City:** Upon receipt of the Settlement Amount, Norair agrees to and hereby does release and discharge the City, its predecessors and successors in interest, assigns, council members, manager, officers, employees, and/or agents from any and all claims, causes of action, and demands of any kind, whether known or unknown, which Norair has, ever has had, or ever in the future may have related to the Contract, the Contract Balance, NEC-019, and/or the Project.

6. **Certification of Payments:** To the extent required by the Contract and pursuant to Maryland Code, State Finance and Procurement Article § 17-106, Norair hereby certifies that in accordance with contractual arrangements, all of its subcontractors and suppliers have been paid from the proceeds of previous progress payments, and to the extent required under contractual arrangements, will be paid in a timely manner from the proceeds of the Settlement Payment paid by the City.

7. **Turnover of Remaining Project Documents:** As a term of this Settlement Agreement, Norair agrees to turn over to the City all outstanding Project submittal requirements currently in Norair's possession, if any, including, but not limited to, any as-built and/or red line drawings for the Project, any equipment operation and maintenance manuals, and any original equipment manufacturer warranties.

8. **The City's Release of Norair:** The City agrees to and hereby does release and discharge Norair, its predecessors and successors in interest, assigns, sureties and subcontractors/suppliers, directors, officers, employees, affiliates, and/or agents from any and all claims, causes of action, and demands of any kind, whether known or unknown, which the City has, ever has had, or ever in the future may have related to the Contract or the Project; provided, however, that any remaining warranties required by the Contract and claims of latent defects are expressly excluded from this release (the "Reserved Claims"). The City represents that it is unaware of any Reserved Claims as of the date of this Agreement.

9. **Entire Agreement:** This Agreement constitutes the entire agreement and understanding between the Parties. No other representations, inducements, or agreements between the Parties, oral or otherwise, which are not expressly set forth herein shall be of any force or effect. This Agreement may not be modified, changed, terminated, or waived, in whole or in part, orally or in any other manner, except through a written instrument executed by the party sought to be charged by any such modification.

10. **Binding Effect:** This Agreement, including the releases contained herein, shall be binding upon and inure to the benefit of the Parties hereto and their respective legal representatives, predecessors, heirs, successors, transferees, assigns, agents, and attorneys.

11. **Counterparts:** This Agreement may be signed in counterparts all of which, when taken together, shall constitute the entire agreement and any of which shall be deemed to be an original.

12. **Duplicate Original(s)**: This Agreement may be signed in duplicate so that there will exist an Original executed Agreement as well as Duplicate Original Agreement(s), as requested by the any of the parties herein.

13. **Severability**: If any provision or any part of any provision of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality, or unenforceability. The Agreement shall not be construed against the party preparing it, but shall be construed as if the Parties jointly prepared it and any uncertainty or ambiguity shall not be interpreted against any party.

14. **Paragraph Headings**: The paragraph and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

15. **Governing Law**: This Agreement shall be governed by the laws of the State of Maryland. Both Parties agree and consent to the jurisdiction of the Maryland State Courts with respect to any dispute arising out of the agreement and further agree and consent to venue in Montgomery County.

16. **Waiver of Enforceability of Agreement**: No failure or delay in exercising any right, power, or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege hereunder.

17. **Understanding and Authorization**: Each party acknowledges that it has consulted with legal counsel concerning the Agreement, that it fully understands the provisions of the Agreement and that they are signing the Agreement voluntarily and free from duress. Each Party represents and warrants that it is fully authorized to enter into the terms and conditions of, and to execute and be bound by, the Agreement. The Parties agree to use their best efforts promptly to execute and to effectuate the terms provided for herein. In addition, each person whose signature appears hereon warrants and guarantees that he/she has been duly authorized and has full authority to execute this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Settlement Agreement effective on the date set forth above.

[SIGNATURES ON FOLLOWING PAGE]

**MAYOR AND COUNCIL OF
ROCKVILLE**

NORAIR ENGINEERING CORP.

By: Jeff Mihelich
Its: City Manager

By:
Its:

Attest

Witness

City Clerk/Director of Council Operations

Approved for legal sufficiency by:

Cynthia Walters, Acting City Attorney