

SETTLEMENT AGREEMENT AND RELEASE

This settlement agreement (the "Agreement") is entered between Aviacsa, S.A. de C.V., a Mexican Corporation ("Aivacsa"), and Environmental World Watch, Inc., on its own behalf and on behalf of the public ("EWW"), and is made with reference to the following:

RECITALS

A. EWW is a corporation registered with the California Secretary of State to address various environmental issues in the State of California;

B. Aviacsa is a corporation formed in Mexico, but authorized to conduct business in the United States of America, including the State of California. Aviacsa, a Mexican regional airline, operates flights to and from the State of California. As part of its airline operations, Aviacsa presently maintains, and has maintained in the past, offices in airports in the State of California. Similarly, and as part of its operations, Aviacsa presently employs and has employed in the past employees in the State of California. In addition, Aviacsa presently and in the past has operated cargo aircraft (whether directly or indirectly) in the State of California. Any airport in the State of California wherein Aviacsa presently operates and/or has operated in the past will be hereinafter collectively referred to as "Aviacsa Covered Facilities.";

C. California Health and Safety Code Sections 25249.5 et seq. prohibit, among other things, a company of ten (10) or more employees from knowingly and intentionally exposing an individual to chemicals known to the State of California to cause cancer, birth defects and other reproductive harm without first providing a clear and reasonable warning to such individuals;

D. California Health and Safety Code Sections 25249.5 *et seq.* listed and identified various chemicals known to the State of California to cause cancer, birth defects and other reproductive harm and/or reproductive toxicity;

E. California Health and Safety Code Sections 25249.5 *et set.* became implemented as part of Proposition 65 in the State of California (“Proposition 65”);

F. EWW alleges that Aviacsa has exposed employees and other individuals to chemicals in jet engine exhaust that are listed in Proposition 65 as known to cause cancer and/or reproductive toxicity. EWW alleges that Aviacsa has causes these exposures without providing the required Proposition 65 warnings;

G. Aviacsa disputes the allegations and accusations made by EWW with respect to the purported violation of Proposition 65;

H. In that respect, EWW served Aviacsa (and other public enforcement agencies) with documents entitled “60-Day Notice of Intent to Sue Under Health & Safety Code sectin 25249.6” (the “EWW Notice”). The EWW Notice alleges that Aviacsa (named as “Aviaxsa, S.A. de C.V.”) violated California Health and Safety Code Sections 25249.5 *et set.* by failing to warn employees and other individuals of exposures to chemicals listed under Proposition 65 and causing cancer and/or reproductive toxicity, which are allegedly present in jet engine exhaust from aircraft. While the EWW Notice generally alleges that Aviacsa caused exposures to all Proposition 65-listed-chemicals in jet exhaust, the Notice also more specifically identified the following chemicals:

Benz[a]anthracene, Chrysene, Benzo[a]pyrene, Indeno[1,2,2-cd]pyrene, Formaldehyde (gas), Acetaldehyde, Naphalene, Benzene; ethylbenzene, Benzo[b]fluroanthene,

Benzo[k]fluoranthene, Dibenz[a,h]anthracene, Toluene, and Carbon Monoxide (collectively, the “Covered Exposures”);

I. On or about May 19, 2006, EWW filed a complaint in the public interests in Superior Court for the San Francisco County pursuant to Proposition 65 against various parties, including Aviacsa (named as “Aviacasa Airlines”)(Case No. CGC-06-455658)(the “State Court Action”). In the State Court Action, EWW alleged that Aviacsa violated California Health and Safety Code Sections 25249.5 et set. by failing to provide Proposition 65 warnings to employees and other individuals in reference to alleged Covered Exposures;

J. In the State Court Action, Aviacsa filed a motion to dismiss (for lack of jurisdiction) and a motion to quash the complaint and summons served in the State Court Action. In response, EWW voluntarily dismissed the State Court Action on February 27, 2007;

K. EWW contends that a new action will be filed in the Los Angeles County Superior Court against Aviacsa for purported violations of Proposition 65;

L. On or about December 21, 2006, an entity identified as “Consumer Advocacy Group, Inc.” (“CAG”), as purportedly represented by Reuben Yeroushalmi of Yeroushalmi & Associates, prior counsel of EWW in the State Court Action, served on Aviacsa a notice (identical to the EWW Notice) informing Aviacsa of violations of Proposition 65 (the “CAG Notice”);

M. The parties hereto desire to settle all existing claims and disputes between them on the terms set forth herein.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged and in consideration of the covenants, releases, representations and conditions set forth below, the parties agree to enter into this Agreement.

AGREEMENT

1. NO ADMISSION OF LIABILITY

1.1 No Admission. For the purpose of avoiding prolonged litigation, the Parties enter into this Agreement as a full settlement of all claims that were or could have been raised in the Action based upon the facts alleged therein. By execution of this Agreement, Aviasca does not admit any violation of Proposition 65 or any other law, and Aviasca specifically denies that it has committed any such violations. EWW disputes Aviasca's denial. Nothing in this Agreement shall be construed as an admission of any fact, issue of law or violation of law, nor shall compliance with this Agreement constitute or be construed as an admission of any fact, issue of law, or violation of law. Based on the foregoing, no one shall construe anything contained in this Agreement as an admission by anyone that any alleged action or failure to act by Aviasca violated Proposition 65 or any other statute, regulation, or principle of common law.

2. INJUNCTIVE RELIEF/CLEAR AND REASONABLE WARNINGS

2.1 Work Area Warning Signage. Aviasca shall provide warning signage, at each Covered Facility in the manner set forth herein within ninety business days (meaning excluding weekends and court holidays) from the date on which this Agreement is executed ("Effective Date").

2.1.1 For each Covered Facility, Aviasca and the entities listed in Section 3.1 shall request posting of a warning sign proximate to the primary entrance[s] to the Aviasca's Work Areas where jet engines are operating. "Work Areas" means areas on the ramp, tarmac, or maintenance facility where employees routinely and in the ordinary scope of their employment come within 200 feet from operating jet engine of an

aircraft. Aviasca shall place prominently all signs posted under this section with such conspicuousness as to render it likely that employees will see and read the same. A warning sign under this subsection shall state:

WARNING: This area contains chemicals known to the State of California to cause cancer and birth defects or other reproductive harm.

2.1.2 Non-Exclusive Control. If Aviasca does not have exclusive control over the area proximate to the primary entrance to a Work Area where a warning is required under Section 2, Aviasca shall make reasonable and good faith efforts to obtain permission to post a warning sign at or near such an entrance. If, despite reasonable and good faith efforts, Aviasca cannot obtain permission to post the required warning required at or near that entrance, Aviasca shall have no obligation to provide such a warning at such entrance, so long as Aviasca contacted EWW, through its counsel, and discussed with EWW's counsel the good faith efforts undertaken to address the issue.

2.2 Proposition 65 Information Statements. For each Covered Facility, Aviasca will ensure a Proposition 65 Information Statement is posted in each breakroom used by its employees who work in Work Areas. The provision regarding "Non-Exclusive Control" in Section 2.1.2 applies to this requirement as well. The Proposition 65 Information Statement is attached as Exhibit B hereto.

2.3 Duration of Warning Obligations. Aviasca's responsibilities to provide the warnings in this section shall continue for such period as Proposition 65 remains in full force and effect, except as provided below.

2.3.1 Aviasca has no obligation to provide warnings as to a Covered Facility if it ceases to contract for the operation of aircraft at that Covered Facility.

2.3.2 If the Office of Environmental Health Hazard Assessment (“OEHHA”) issues a “Safe Use Determination” (22 Cal. Code Regs., § 12204) or otherwise determines that any Covered Exposures do not require Proposition 65 warnings, Aviasca shall have no further obligation to provide the warnings described in this Agreement for such exposures.

2.3.3 If Aviasca performs a quantitative risk assessment in accordance with 22 Cal. Code Regs., § 12703 that results in a determination that any Covered Exposures do not require a warning under Cal. Health & Safety Code section 25249.5, Aviasca may seek a Court Order that Aviasca will have no further obligation to provide the warnings for such exposures described in this Agreement.

3. RELEASE AND CLAIMS COVERED

3.1 EWV’s Release of Aviasca. This Agreement is a final and binding resolution and release between Aviasca and Aviasca’s respective past, present and future officers, directors, trustees, agents, employees, contractors, attorneys, parents, subsidiaries or affiliates that operate aircraft at the Covered Facilities, divisions, successors and assigns, and its independent contractors who manufacture, repair or sell aircraft jet engines, fuel or otherwise service an aircraft for Aviasca, specifically including Capital Cargo International Airlines, Air Transport International Limited Liability Company, Cargo Holdings International, Inc. and their respective parents, affiliates, and subsidiaries ONLY to the extent their services relate to Aviasca (collectively, “Releasees”) and EWW, on behalf of itself, its attorneys, and its agents, of all claims for violation of Proposition 65, the provisions of Proposition 65 incorporated in California’s Hazard Communication provisions (8 Cal. Code of Regs. § 5194(b)), and any other statutory or common law claim that EWW could have asserted against any Releasee regarding alleged exposures to Proposition 65-listed chemicals at the Covered Facilities, including, but not limited to, the failure by any Releasee to provide clear and

reasonable warnings of exposures to Proposition 65-listed chemicals in jet engine exhaust (collectively, “Released Claims”). Aviasca’s compliance with the terms of this Agreement resolves all issues of liability regarding the Released Claims, now and in the future, as to a Releasee.

EWW, on behalf of itself, its attorneys, agents, and its assigns, covenants not to sue nor to institute or participate in, directly or indirectly, any form of legal action and releases all Released Claims against all Releasees. Provided however, EWW shall remain free to institute any form of legal action to enforce the provisions of this Agreement.

3.2 Waiver of California Civil Code section 1542. EWW waives all rights and benefits that it now has, or in the future may have, conferred upon it by virtue of the provisions of Section 1542 of the California Civil Code, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

EWW understands and acknowledges that the significance and consequence of its waiver of California Civil Code Section 1542 is that even if EWW or anyone acting on its behalf suffers future damages or harm arising out of, resulting from, or related directly or indirectly, in whole or in part, the Released Claims, EWW or anyone acting on its behalf, will not be able to make any claim for relief against any Releasee. Furthermore, EWW acknowledges that it intends these consequences for any relief, which may exist as of the date of this release but which EWW does not know exists, and which, if known, would materially affect its decision to enter into the Agreement, regardless of whether its lack of knowledge is the result of ignorance, oversight, error, negligence, or any other cause, no matter how justifiable such cause may be.

3.3 Aviasca's Release of EWW. Aviasca waives all rights to institute any form of legal action against EWW, or its current attorneys or representatives, for all actions and statements that EWW and its current attorneys or representatives have taken or made in the course of investigating and/or seeking enforcement of Proposition 65 against it in this Action. Provided however, the Aviasca retains the right to institute any form of legal action to enforce the provisions of this Agreement.

4. SETTLEMENT PAYMENTS

Aviasca shall pay a total settlement amount of Seven Thousand Five Hundred Dollars in full and final settlement of all claims the EWW brought or could have been brought in connection with the Action, including all costs and attorneys' fees incurred by EWW, and in lieu of any civil penalties that allegedly were claimed or could have been recovered in the Action. Aviasca shall make payment payable to EWW within 3 days after the Effective Date via electronic wire transfer to "Graham & Martin LLP Trust Account", Union Bank of California, 16141 Beach Boulevard, Huntington Beach, CA 92647, Routing # 122000496, Account Attorney Client Trust Actt. # 0340033639.

Aviasca will make payments as follows:

4.1.1 Payments in Lieu of Civil Penalty. Aviasca shall pay Seven Thousand Five Hundred Dollars to EWW (an organization dedicated to furthering Proposition 65 compliance), to be distributed into a holding account to be used for such projects and purposes related to environmental protection, worker health and safety, or reduction of human exposure to hazardous substances (including administrative and litigation costs arising from this action and such other projects), as EWW may choose. EWW, including its attorneys, agents, representatives, members, officers, employees, or investigators, may not use any part of this payment to finance any future Proposition 65

litigation or investigative activities regarding potential Proposition 65 issues, compliance, or litigation arising out of or against Aviasca.

4.1.2 Reimbursement of Fees and Costs. All Parties, EWW and Aviasca, shall be responsible for and shall bear their own attorneys fees and costs. Aviasca shall have no obligation with regard to reimbursement of EWW's attorney's fees and costs nor any other payments to EWW. EWW shall be wholly and solely responsible for any and all claims by its former and current attorneys as well as all claimed costs. EWW shall hold harmless Aviasca from any such claims made upon it by any persons seeking reimbursement as to attorneys fees and costs other than Aviasca's own attorneys.

5. DISPUTES UNDER THE AGREEMENT

Any Party to this Agreement may, by motion or order to show cause before the court, seek to enforce the terms and conditions contained in the Agreement upon a breach of any term or condition by another Party. In any such enforcement proceeding, the Parties may seek whatever equitable or legal remedies to which they are entitled for failure to comply with this Agreement, including their reasonable attorneys' fees and costs.

6. SUBSEQUENT SETTLEMENTS

If another party enters into a settlement agreement with EWW with respect to any allegations that such party caused exposures to Proposition 65-listed chemicals in jet engine exhaust without a Proposition 65 warning, EWW shall use good-faith efforts to ensure that no terms or conditions of that settlement agreement are more favorable to such other party than those under this Agreement.

7. NOTICES

All correspondence or notices required to be provided pursuant to this Agreement shall be in writing and personally delivered or sent by: (1) first-class, registered, certified mail, return receipt requested, or (2) overnight courier to the following addresses: (A

Party, from time to time, may, pursuant to the methods prescribed above, specify a change of address to which all future notices and other communications shall be sent.)

To Aviasca:

Aviacsa, S.A. de C.V.
c/o Haydee Cordova Gonzalez, Esq.
Hangar 1 Zona C del
Aeropuerto Internacional de la
Ciudad de Mexico
Co. Aviacion General
C.P. 15520
Mexico, Distrito Federal

Rosendo Gonzalez, Esq.
Gonzalez & Associates, P.L.C.
515 S. Figueroa St., Suite 1970
Los Angeles, California 90071

To EWW:

Anthony G. Graham
Graham & Martin LLP
950 South Coast Drive, Suite 220
Costa Mesa, CA 92626

8. INTEGRATION

This Agreement constitutes the final and complete agreement of the Parties with respect to the subject matter hereof and supersedes all prior or contemporaneous negotiations, promises, covenants, agreements or representations concerning any matters directly, indirectly or collaterally related to the subject matter of this Agreement. The Parties have included, expressly and intentionally, in this Agreement all collateral or additional agreements that may, in any manner, touch or relate to any of the subject matter of this Agreement and, therefore, all promises, covenants and agreements, collateral or otherwise, are included herein and therein. The Parties intend that this Agreement shall constitute an integration of all their agreements, and each understands that in the event of any subsequent litigation, controversy or dispute concerning any of its

terms, conditions or provisions, no party hereto shall be permitted to offer or introduce any oral or extrinsic evidence concerning any other collateral or oral agreement between the Parties not included herein.

9. TIMING

Time of Essence. Time is of the essence in the performance of the terms hereof.

10. COMPLIANCE WITH REPORTING REQUIREMENTS

Reporting Forms; Presentation to Attorney General. EWW agrees to comply with the reporting form requirements referenced in Cal. Health and Safety Code section 25249.7, subdivision (f).

11. COUNTERPARTS

Counterparts. This Agreement may be signed in counterparts and shall be binding upon the Parties as if all Parties executed the original hereof.

12. WAIVER

No Waiver. No waiver by any Party of any provision hereof shall be deemed to be a waiver of any other provision hereof or of any subsequent breach of the same of any other provision hereof.

13. AMENDMENT

In Writing. No Party may amend or modify this Agreement except by a writing executed by the Parties that expresses, by its terms, an intention to modify this Agreement.

14. SUCCESSORS

Binding Upon Successors. This Agreement shall be binding upon and inure to the benefit of, and be enforceable by, the Parties and their respective administrators, trustees, executors, personal representatives, successors and permitted assigns.

15. CHOICE OF LAWS

California Law Applies. Any dispute regarding the interpretation of this Agreement, the performance of the Parties pursuant to the terms of this Agreement, or the damages accruing to a Party because of any breach of this Agreement shall be determined under the laws of the State of California, without reference to principles of choice of laws. In the event this Agreement must be enforced or interpreted by a court of law, the parties hereby agree that the United States District Court for the Central District of California shall have exclusive jurisdiction (subject only to the right to appeal) to resolve any disputes among or relating to this Agreement, and said actions shall be tried in the appropriate court in the United States District Court for the Central District of California. The prevailing party in such action shall be entitled to reasonable attorneys' fees and costs.

16. NO ADMISSIONS

The Parties have reached this Agreement to avoid the costs of prolonged litigation. By entering into this Agreement, neither EWW nor Aviasca admits any issue of law, including any violation of Proposition 65. No one shall deem this Agreement to be an admission or concession of liability or culpability by any Part, at any time, for any purpose. EWW does not foreclose any right to demand warnings from other airline entities that are more expansive and/or comprehensive than those described herein. No one shall construe this Agreement, any document referred to herein, or any action taken to carry out this Agreement, as giving rise to any presumption or inference of admission or concession by Aviasca as to any fault, wrongdoing, or liability.

17. REPRESENTATION

Construction of Agreement. EWW and Aviasca each acknowledge and warrant that independent counsel of its own selection represented it in connection with the prosecution and defense of the Action, the negotiations leading to this Agreement and the drafting of

this Agreement; and that in interpreting this Agreement, the terms of this Agreement will not be construed either in favor of or against any Party.

EWV specifically represents to Aviacsa, as part of this Settlement Agreement, that EWW is authorized to act on behalf of the public interest and under Proposition 65 in making this Settlement Agreement with Aviacsa (in spite of the allegations and warnings made by CAG in the December 21, 2006 Notice to Aviacsa). Furthermore, EWW represents to Aviacsa that CAG (and Mr. Yeroushalmi) have no authority or legal rights to the Notice or to seek to prosecute or bring a legal action against anyone, including Aviacsa, under Proposition 65.

18. AUTHORIZATION

Authority to Enter Agreement. Each of the signatories hereto certifies that he or she is authorized by the party he or she represents to enter into this Agreement, to stipulate to the Agreement, and to execute and approve the Agreement on behalf of the party represented.

THE SPACE BELOW IS INTENTIONALLY LEFT BLANK:

AGREED TO:

AGREED TO:

Date:

Date:

By: William Dunlap
President
ENVIRONMENTAL WORLD WATCH,
INC.

By:
AVIASCA S.S. DE C.V.

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Date:

Date:

GRAHAM & MARTIN LLP

GONZALEZ & ASSOCIATES

By:

By:

Anthony G. Graham
Attorney for ENVIRONMENTAL
WORLD WATCH, INC.

Rosendo Gonzalez
Attorney for AVIASCA S.S. DE C.V.