

SETTLEMENT AGREEMENT AND RELEASE

Plaintiff Environmental World Watch, Inc., (“EWW” or “Plaintiff”) on its own behalf and in the interest of the public and American Airlines, Inc. (“Defendant”) (collectively, “Parties”) enter into this Settlement Agreement and Release (“Agreement”) concerning the settlement of all pending actions, claims and potential claims between the Parties. Following the execution of this Agreement, the Parties will execute a proposed stipulation and consent judgment in the form set out in Exhibit A, to which the Agreement shall be attached as an exhibit (“Proposed Consent Judgment”). Plaintiff will submit the Proposed Consent Judgment to the Superior Court, County of San Francisco for approval pursuant to Cal. Health and Safety Code section 25249.7 (f) and the regulations promulgated under that section. In accordance with these regulations, Plaintiff shall submit the Proposed Consent Judgment to the California Attorney General’s Office within five days after receiving all necessary signatures and shall serve on the Attorney General’s Office a noticed motion to approve the Agreement and enter the Proposed Consent Judgment at least forty-five days prior to the date a hearing is scheduled on such motion in the Superior Court, County of San Francisco.

RECITALS

- A. WHEREAS**, Plaintiff is a corporation registered with the State of California, formed for furthering environmental causes;
- B. WHEREAS**, Defendant has employees working at airports in California and Defendant has operated aircraft at airports in California. Any airports in California where Defendant operates or has operated one or more aircraft are “Covered Facilities.”

C. **WHEREAS**, Cal. Health and Safety Code sections 25249.5 et seq. (hereafter "Proposition 65") prohibits, among other things, a company of ten 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. **WHEREAS**, the State of California has officially listed various chemicals pursuant to Cal. Health and Safety Code section 25249.8 as chemicals known to the State to cause cancer and/or reproductive toxicity;

E. **WHEREAS**, Plaintiff alleges that Defendant has exposed individuals and employees to chemicals in jet engine exhaust that are listed as known to cause cancer and/or reproductive toxicity under Proposition 65. Plaintiff alleges that Defendant has caused these exposures without providing required Proposition 65 warnings;

F. **WHEREAS**, on or about December 29, 2004, EWW served Defendant and various public enforcement agencies with documents entitled "60-Day Notice of Intent to Sue Under Health & Safety Code section 25249.6" ("Notice"). The Notice alleges that Defendant violated Cal. Health & Safety Code section 25249.6 by failing to warn individuals and employees of exposures to chemicals listed under Proposition 65 as causing cancer and/or reproductive toxicity, which are allegedly present in jet engine exhaust from aircraft. While the Notice generally alleges that Defendant has caused exposures to all Proposition 65-listed chemicals in jet engine exhaust, the Notice also more specifically identifies Benz[a]anthracene, Chrysene, Benzo[a]pyrene, Indeno[1,2,3-cd]pyrene, Formaldehyde (gas), Acetaldehyde, Napthalene, Benzene; Ethylbenzene,

Benzo[b]fluroanthene, Benzo[k]fluoranthene, Dibenz[a,h]anthracene, Toluene, and Carbon Monoxide (collectively, "Covered Exposures");

G. WHEREAS, on or about March 24, 2005, EWW filed a complaint in the public interest (hereafter referred to as the "Action") in the Superior Court for the County of San Francisco against Defendant, other airline carriers, and Does 1-100. The Complaint alleges that Defendant violated Cal. Health & Safety Code section 25249.6 by failing to provide Proposition 65 warnings to employees and other individuals in reference to alleged Covered Exposures.

H. WHEREAS, in order to avoid continued and protracted litigation, the Parties desire to enter into a full settlement of all claims that were or could have been raised in the Action based upon the facts alleged therein and to resolve the Action with finality;

NOW THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, the Parties agree as follows:

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 and the Consent Judgment, Defendant does not admit any violation of Proposition 65 or any other law, and Defendant specifically denies that it has committed any such violations. EWW disputes Defendant's denial. Nothing in this Agreement, as incorporated in the Proposed Consent Judgment, 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.

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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 Defendant 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.** Defendant shall provide warning signage, at each Covered Facility in the manner set forth herein within thirty business days (meaning excluding weekends and court holidays) from the date on which the Court approves and enters the Proposed Consent Judgment (“Effective Date”).

2.1.1 For each Covered Facility, Defendant shall ensure posting of a warning sign proximate to the primary entrance[s] to the Defendant’s Work Areas where its 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. Defendant 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 Defendant 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, Defendant 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, Defendant cannot obtain permission to post the required warning required at or near that entrance, Defendant shall have no obligation to

provide such a warning at such entrance, so long as Defendant contacted Plaintiff, through its counsel, and discussed with Plaintiff's counsel the good faith efforts undertaken to address the issue.

2.2 Proposition 65 Information Statements. For each Covered Facility, Defendant 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 Jetway Warning Signage. For each Covered Facility, Defendant that operates a jetway at that facility shall ensure a warning sign is posted in or at the entrance to each jetway where it has control over the signage in or at that jetway. A sign posted under this subsection shall be prominently placed such and with such conspicuousness as to render it likely to be seen and read by passengers. 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.**

2.3.1 Non-Exclusive Control. If a Defendant does not have exclusive control over a jetway leading to its aircraft where warning signage is required under subsection 2.3, it must use reasonable and good faith efforts to obtain permission to post a warning there. If, through reasonable and good faith efforts, a Defendant cannot obtain permission to post a warning required in subsection 2.3 in a jetway, it is not required under this Agreement to provide such a warning in such jetway, so long as Defendant

contacted Plaintiff, through its counsel, and discussed with Plaintiff's counsel the good faith efforts undertaken to address the issue

2.4 Duration of Warning Obligations. Defendant'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.

2.4.1 Defendant has no obligation to provide warnings as to a Covered Facility if it ceases to operate aircraft at that Covered Facility.

2.4.2 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, Defendant shall have no further obligation to provide the warnings described in this Agreement for such exposures.

2.4.3 If Defendant 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, Defendant may seek a Court Order that Defendant will have no further obligation to provide the warnings for such exposures described in this Agreement.

3. RELEASE AND CLAIMS COVERED

3.1 Plaintiff's Release of Defendant. This Agreement is a final and binding resolution and release between Defendant and Defendant'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 Defendant (collectively, "Releasees") and Plaintiff, 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 Plaintiff 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"). Defendant'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.

Plaintiff, 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, Plaintiff 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. Plaintiff 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.

Plaintiff understands and acknowledges that the significance and consequence of its waiver of California Civil Code Section 1542 is that even if Plaintiff 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, Plaintiff or anyone acting on its behalf, will not be able to make any claim for relief against any Releasee. Furthermore, Plaintiff acknowledges that it intends these consequences for any relief, which may exist as of the date of this release but which Plaintiff does not know exists,

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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 Defendant's Release of Plaintiff. Defendant waives all rights to institute any form of legal action against Plaintiff, or its attorneys or representatives, for all actions and statements that Plaintiff and its 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 Defendant retains the right to institute any form of legal action to enforce the provisions of this Agreement.

3.4 Court Approval. Neither this Agreement nor the Proposed Consent Judgment is effective until the Effective Date. This Agreement shall be null and void if, for any reason, the Court does not enter an appropriate form of the Proposed Consent Judgment approving this Agreement within one year after the Proposed Consent Judgment has been lodged with the Court.

4. SETTLEMENT PAYMENTS

4.1 Defendant shall pay a total settlement amount of Thirty Thousand Dollars in full and final settlement of all claims the Plaintiff brought or could have been brought in connection with the Action, including all costs and attorneys' fees incurred by Plaintiff, and in lieu of any civil penalties that allegedly were claimed or could have been recovered in the Action. Subject to Court approval of the Agreement and entry of the Proposed Consent Judgment, Defendant will make payments as follows:

4.1.1 Payments in Lieu of Civil Penalty. Defendant shall pay Five Thousand Dollars to Consumer Advocacy Group, Inc. (a non-profit 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 such projects), as Consumer Advocacy Group, Inc. may choose. Consumer Advocacy Group, Inc., including its attorneys, agents, representatives, members, officers, employees, or investigators, may not use any part of this payment to finance any Proposition 65 litigation or investigative activities regarding potential Proposition 65 issues, compliance, or litigation arising out of or against Defendant or the airline industry. Defendant shall make payment payable to Consumer Advocacy Group, Inc. within 15 days after final entry of the Proposed Consent Judgment at the following address: Consumer Advocacy Group, Inc., C/O Yeroushalmi & Associates, 3700 Wilshire Blvd., Suite 480, Los Angeles, CA 90010.

4.1.2 Reimbursement of Fees and Costs. Defendant shall pay Plaintiff's counsel Twenty-Five Thousand Dollars for all attorneys' fees and costs. Defendant shall make payment payable to "Yeroushalmi and Associates" and shall deliver the same to Plaintiff's counsel within 15 days after final entry of the Proposed Consent Judgment, at the following address: YERUSHALMI & ASSOCIATES, 3700 Wilshire Blvd., Suite 480, Los Angeles, CA 90010. Except as otherwise specifically provided in this Agreement, Defendant shall not have any further obligation with regard to reimbursement of Plaintiff's attorney's fees and costs nor any other payments to Plaintiff.

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, but in no event will any Party seek to set aside any terms or conditions in this Agreement once the court has approved the Agreement and entered the Proposed Consent Judgment. 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 attorneys' fees and costs.

6. SUBSEQUENT SETTLEMENTS

If another party enters into a settlement agreement with Plaintiff with respect to any allegations that such party caused exposures to Proposition 65-listed chemicals in jet engine exhaust without a Proposition 65 warning, Plaintiff shall use good-faith efforts to ensure that no terms, conditions, or monetary payments 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 Defendant:

R. Raymond Rothman
Bingham McCutchen LLP
355 South Grand Avenue
Suite 4400
Los Angeles, CA 90071-3106

To Plaintiff:

Reuben Yeroushalmi
Yeroushalmi and Associates
3700 Wilshire Blvd.
Suite 480
Los Angeles, CA 90010

8. INTEGRATION

This Agreement constitutes the final and complete agreement of the Parties, as incorporated in the Proposed Consent Judgment, 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. Plaintiff 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.

16. NO ADMISSIONS

The Parties have reached this Agreement to avoid the costs of prolonged litigation. By entering into this Agreement, neither Plaintiff nor Defendant 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. Plaintiff 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 Defendant as to any fault, wrongdoing, or liability.

17. REPRESENTATION

Construction of Agreement. Plaintiff and Defendant 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.

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: 06/28/2006

Date:

By: 
Plaintiff ENVIRONMENTAL WORLD
WATCH, INC.

By:
Defendant AMERICAN AIRLINES, INC.

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Date:

Date:

YEROUSHALMI & ASSOCIATES

BINGHAM MCCUTCHEN LLP

By:

By:

Reuben Yeroushalmi
Attorney for Plaintiff
ENVIRONMENTAL WORLD WATCH,
INC.

R Raymond Rothman
Attorney for Defendant AMERICAN
AIRLINES, INC.

AGREED TO:


AGREED TO:

Date:

Date:

7/5/06

By:
Plaintiff ENVIRONMENTAL WORLD
WATCH, INC.

By: 
Defendant AMERICAN AIRLINES, INC.

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Date:

Date:

YERUSHALMI & ASSOCIATES

BINGHAM MCCUTCHEN LLP

By:

By:

Reuben Yeroushalmi
Attorney for Plaintiff
ENVIRONMENTAL WORLD WATCH,
INC.

R Raymond Rothman
Attorney for Defendant AMERICAN
AIRLINES, INC.

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