

COPY**MAILED**
5/11/09

SETTLEMENT AGREEMENT
BETWEEN CONSUMER ADVOCACY GROUP, INC.
AND 16:3, INC.

Consumer Advocacy Group, Inc., on behalf of itself and suing in the public interest pursuant to Health and Safety Code section 25249.7, subdivision (d) ("CAG") and 16:3, Inc. aka ARC Roofing and Advance Roofing Concepts ("16:3") (collectively, the "Parties") enter into this agreement ("Settlement Agreement") to settle the case entitled *Consumer Advocacy Group, Inc. v. The Reroofing Specialists, Inc., et al.*, and pending in the Superior Court of California for the County of Los Angeles, Case No. BC375084 ("Lawsuit"), as follows:

1.0 Introduction

1.1 CAG is an entity based in Los Angeles, California that seeks to promote awareness of exposures to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer and industrial products. 16:3 disputes this.

1.2 CAG alleges that 16:3 is a company that employs ten or more persons and acts primarily as a roofing contractor. 16:3 disputes this.

1.3 CAG alleges that 16:3 uses roofing materials, some of which contain asphalt or coal tar, the use of which is alleged to expose persons to acetaldehyde; arsenic (inorganic arsenic compounds); benz[a]anthracene; benzene; benzo[a]pyrene; benzo[b]fluoranthene; benzo[k]fluoranthene; beryllium and beryllium compounds; 1,3-butadiene; cadmium and cadmium compounds; carbazole; chromium (hexavalent compounds); chrysene; dibenz[a,j]acridine; dibenz[a,h]anthracene; dibenzo[a,e]pyrene; dibenzo[a,h]pyrene; dibenzo[a,i]pyrene; dibenzo[a,l]pyrene; dichloromethane (methylene chloride); formaldehyde (gas); indeno[1,2,3-cd]-pyrene; lead and lead compounds; 5-methylchrysene; nickel and nickel compounds; silica, crystalline; tetrachloroethylene (perchloroethylene); toluene diisocyanate; trichloroethylene; carbon disulfide; mercury and mercury compounds; and toluene (collectively, "Covered Chemicals"). 16:3 disputes this.

1.4 Covered Chemicals are substances listed in the regulations promulgated under the California Safe Drinking Water and Toxic Enforcement Act (Health & Saf. Code, §§ 25249.5, et seq.) ("Proposition 65") as chemicals known to the State of California to cause cancer or reproductive harm.

1.5 On July 26, 2006, CAG served public enforcement agencies and 16:3 with a "60-Day Notice of Violation" ("Notice"). The Notice alleged that 16:3

violated Proposition 65 by failing to warn its employees and other persons in California that some of the roofing materials used by 16:3 expose those persons to Covered Chemicals.

1.6 On July 31, 2007, CAG filed the Lawsuit alleging 16:3, among others, violated Proposition 65 by exposing employees and others to Covered Chemicals contained in certain roofing products without providing "clear and reasonable" warnings. The alleged exposures constitute "occupational" and "environmental" exposures pursuant to California Code of Regulations, title 22, section 12601. 16:3 denies the material allegations of the Lawsuit and liability for the cause of action alleged in the complaint.

1.7 For purposes of this Settlement Agreement only, the Parties stipulate that this Court has jurisdiction: (i) over the allegations of violations contained in the CAG Complaint and Notice, (ii) over 16:3 as to the acts alleged, and (iii) to enter an order approving this Settlement Agreement.

1.8 The Parties enter into this Settlement Agreement pursuant to a settlement of certain disputed claims between the Parties as alleged in the CAG Complaint and Notice for the purpose of avoiding prolonged and costly litigation between the Parties.

1.9 By execution of this Settlement Agreement, the Parties do not admit any facts or conclusions of law, including facts or conclusions of law regarding any violation of Proposition 65, or any other statutory, regulatory, common law, or equitable doctrine. Nothing in this Settlement Agreement shall be construed as an admission by the Parties of any fact, conclusion of law, issue of law, or violation of law. Nothing in this Settlement Agreement, nor compliance with its terms shall constitute or be construed as evidence of an admission or evidence of fault, wrongdoing, or liability by 16:3, its officers, directors, employees, or parent, subsidiary or affiliated corporations, in any administrative or judicial proceeding or litigation in any forum. Except for the cause of action and allegations settled and compromised, nothing in this Settlement Agreement shall prejudice, waive, or impair any right, remedy, argument, or defense that CAG or 16:3 may have against one another in any other pending legal proceeding.

2.0 Release

2.1 Upon judicial approval of the settlement between the Parties and the expiration of time in which to appeal the same, CAG releases and forever discharges 16:3, its affiliates, subsidiary and parent corporations, and their affiliated companies, and each of their officers, directors, agents, servants, partners, stockholders, attorneys, employees, representatives, and each of their respective successors and assigns (collectively, the "Released Parties") from all known and unknown rights, claims, causes of action, damages, suits, penalties,

liabilities, injunctive relief, declaratory relief, and attorney fees, costs and expenses related to or arising out of the facts and claims alleged in the Lawsuit as to between CAG and 16:3. Without limiting the foregoing, the Parties intend the scope of this release to cover all Claims Covered (as defined in Section 3.1 below) as to the Released Parties put in controversy by the Lawsuit.

2.2 CAG is aware of the contents of Section 1542 of the Civil Code. CAG acknowledges that the claims released in this Lawsuit include known and unknown claims and hereby waives any protections provided for by Section 1542 of the Civil Code. Section 1542 of the Civil Code provides as follows:

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

3.0 Claims Covered

3.1 This Settlement Agreement is a final and binding resolution between the CAG and the Released Parties of the following claims and causes of action: All claims, known or unknown, that were or could have been asserted in the Lawsuit arising out of allegations that the Released Parties violated Proposition 65 or any other statutory or common law because of Released Parties' operations.

4.0 Defendant's Duties

4.1 16:3 will provide Proposition 65 warnings and take actions intended to prevent, reduce, and mitigate exposure to the Covered Chemicals arising from using roofing products, in the manner prescribed below. Within sixty days after entering into this Settlement Agreement, 16:3 shall provide Proposition 65 warnings to its California employees who use roofing products containing Covered Chemicals by incorporating such warnings into the chemical hazard warnings and training provided in its hazard communication training plans, as part of compliance with the California Hazard Communication Standard under California Code of Regulations, title 8, section 5194.

4.2 Within sixty days after entering into this Settlement Agreement, 16:3 shall post a Proposition 65 warning sign conspicuously at each of its places of business where employees who handle roofing products containing Covered Chemicals are likely to see and read the warning sign, such as a locker room where employees store their gear or near a time clock that employees use regularly. Such places of business shall not include job sites where 16:3 performs services but which 16:3

neither owns nor operates. The Proposition 65 warning sign shall express the following warning statement:

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

Asphalt, coal tar, and other roofing or waterproofing materials contain chemicals known to the State of California to cause cancer and/or reproductive hazards. Exposure to these chemicals occurs during the installation, repair or removal of roofing and waterproofing materials containing asphalt, coal tar, or other bituminous binders and other types of roofing or waterproofing materials. Exposures may occur not only from the roofing or waterproofing materials you are working with but also from the solvents, mastics, cements, sealants, caulking compounds and other products and equipment that may be used in the operation. Always familiarize yourself with the hazards of the materials and equipment you are using and follow the precautions indicated on product labels, Material Safety Data Sheets and your health and safety training program.

This warning shall be deemed "clear and reasonable" for purposes of Proposition 65 for any chemical contained in roofing products or to which exposure occurs from use of roofing products.

4.3 CAG maintains that environmental exposures occur because of the presence of Covered Chemicals in certain roofing products, and that warnings for such exposures are required. 16:3 disputes this. In recognition of the measures adopted below and the effect those measures will have, the Parties agree that warnings for environmental exposures are not required.

4.4 16:3 shall institute certain measures to reduce or mitigate occupational and environmental exposures to the Covered Chemicals arising from the use of certain roofing products. The Parties agree to these measures with the mutual understanding and expectation that such measures will reduce and mitigate exposure to the Covered Chemicals arising from the use of certain roofing products to or within the levels such that warnings for "environmental" exposures would not be required. Within sixty days after entering into this Settlement Agreement, 16:3 shall:

- 4.4.1 Ensure that tank trucks and kettles with a capacity greater than 200 gallons will have operational thermostatic heating controls.
- 4.4.2 Incorporate the following instructions in its chemical hazard training plan for employees, as part of its compliance with the California Hazard Communication Standard, set forth at California Code of Regulations, title 8, section 5194.
 - 4.4.2.1 Employees shall restrict access to tank trucks and kettles in which roofing products are heated for application to those employees whose job responsibilities require them to be present.

- 4.4.2.2 Employees shall not heat any roofing product to a temperature that is higher than the manufacturer's specifications for that material.
- 4.4.2.3 Employees shall verify the temperature of heated roofing products with a thermometer on a regular basis, to ensure that roofing products are not heated higher than the applicable manufacturer's specifications.
- 4.4.2.4 Employees will work upwind from tank trucks and kettles whenever it is practical to do so.
- 4.4.2.5 Employees will keep kettle lids closed except when necessary to: (i) add or remove roofing product from the kettles, (ii) check the temperature of the roofing product in the kettles; (iii) the check the volume or quality of the roofing product in the kettles; or (iv) perform similar activities.
- 4.4.2.6 Employees shall position tank trucks and kettles as close to the point of application as practical in order to minimize heat loss.

16:3 shall train its employees in the health hazards of roofing products in their work area(s), and the measures that they can take to protect themselves from these hazards, including specific procedures that the employer has implemented to protect employees from exposure to hazardous substances, such as appropriate work practices, emergency procedures, and use of personal protective equipment. 16:3 shall periodically monitor its employees' conduct to comply fully with all the requirements of this paragraph.

5.0 Payments

5.1 Defendants' Payment in Lieu of Civil Penalties. 16:3 shall pay CAG, a corporation commenced for the purpose of furthering environmental causes, \$1,000. Payment shall be made to "Consumer Advocacy Group, Inc." CAG will use the payment 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 CAG may choose.

5.2 Payment to Yeroushalmi & Associates. 16:3 shall pay \$14,000 to CAG for attorney fees and costs incurred in this matter. Payment shall be made to "Yeroushalmi & Associates."

6.0 Authority to Enter Into Settlement Agreement

6.1 CAG represents that the signatory to this Settlement Agreement has the authority to enter into this Settlement Agreement on behalf of CAG and to bind legally CAG. 16:3 represents that the signatories to this Settlement Agreement have the authority to enter into this Settlement Agreement on behalf of 16:3 and to bind legally 16:3.

7.0 Attorney General Review

7.1 Consistent with section 3003(a) of Title 11 of the California Code of Regulations, CAG shall submit this Settlement Agreement to the Attorney General's Office for review within five days of the Parties' execution of this Settlement Agreement.

8.0 Execution in Counterparts and Facsimile

8.1 This Settlement Agreement may be executed in counterparts, which taken together shall be deemed to constitute the same document. A facsimile or pdf signature shall be as valid as the original.

9.0 Judicial Approval of Settlement Agreement Required

9.1 CAG shall submit this Settlement Agreement to the Court for consideration as required by Health and Safety Code section 25249.7, subdivision (f)(4). CAG will provide the Court with the necessary information to allow the Court to make the findings required by Health and Safety Code section 25249.7, subdivision (f)(4)(A)-(C).

9.2 This Settlement Agreement shall be void in the event the Court does not ultimately approve this settlement as required by Health and Safety Code section 25249.7, subdivision (f)(4)(A)-(C).

10.0 Entire Agreement

10.1 This Settlement Agreement contains the sole and entire agreement and understanding of the Parties with respect to the entire subject matter hereof, and all related prior discussions, negotiations, commitments, and understandings. No other agreements, oral or otherwise, exist to bind any of the Parties.

11.0 Modification of Settlement Agreement

11.1 Any modification to this Settlement Agreement shall be in writing by the Parties.

12.0 Application of Settlement Agreement

12.1 This Settlement Agreement shall apply to, be binding upon, and inure to the benefit of, the CAG and the Released Parties identified above.

13.0 Severability

13.1 In the event that a court of competent jurisdiction finds unenforceable any of the provision of this Settlement, such finding shall not affect adversely the validity of the enforceable provisions.

14.0 Governing Law

14.1 The laws of the State of California shall govern the terms of this Settlement Agreement.

15.0 Attorney Fees

15.1 If a dispute arises concerning any provision of the Settlement Agreement, and such disputes are resolved by the Court or through any alternative dispute resolution proceeding, the prevailing party in such action or proceeding shall be entitled to recover costs and reasonable attorney fees.

[Continued on next page]

16.0 Notification Requirements

16.1 Any notice required or permitted here shall be effective only if in writing and delivered in person or sent by telecopy, certified or registered mail return receipt requested, or traceable overnight delivery service, to the following designees:

For CAG:

Reuben Yeroushalmi
Yeroushalmi & Associates
3700 Wilshire Blvd., Suite 480
Los Angeles, CA 90010
Fax: 213.382.3430

For 16:3:

Gregory D. Hagen, Esq.
DRATH, CLIFFORD, MURPHY & HAGEN
600 B Street, Suite 1550
San Diego, CA 92101-4506
Fax: 619.595.3066

Any party may change its designee(s) for purposes of notification by providing notice of such change pursuant to this section.

Dated: 4/4/09

By: [Signature]
CONSUMER ADVOCACY GROUP, INC.

Dated: 5-19-09

By: [Signature]
16:3, INC aka ARC ROOFING,
ADVANCED ROOFING CONCEPTS

As to form only:

YEROUSHALMI & ASSOCIATES

Dated: 7/30/09

By: [Signature]
Reuben Yeroushalmi

DRATH, CLIFFORD, MURPHY & HAGEN

Dated: 6/30/09

By: [Signature]
Gregory D. Hagen, Esq.