

SETTLEMENT AGREEMENT
BETWEEN
CONSUMER ADVOCACY GROUP, INC.
AND
ALTERNATIVE ROOFING SOLUTIONS, 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 Alternative Roofing Solutions, Inc. ("Alternative") (collectively, the "Parties") enter into this agreement ("Settlement Agreement") to settle the case entitled *Consumer Advocacy Group, Inc. v. Gordon Mott Roofing Company, Inc., et al.* filed on December 26, 2006, and pending in the Superior Court of California for the County of San Francisco Case No. CGC-06-459064 ("Lawsuit") as to CAG, on one hand, and Alternative, on the other, 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 found in consumer and industrial products.

1.2 CAG alleges that Alternative is a company that employs ten or more persons and acts primarily as a roofing contractor.

1.3 CAG alleges that Alternative 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]flouranthene; benzo[k]flouranthene; 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"). Alternative disputes this.

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

1.5 On April 14, 2006, CAG served public enforcement agencies and Alternative with a document entitled "60-Day Notice of Violation" ("Notice"). Alternative disputes that it was ever served with the Notice. The Notice alleged that Alternative violated Proposition 65 by failing to warn its employees and other persons in California that some of the roofing materials used by Alternative expose those persons to Covered Chemicals.

1.6 On December 26, 2006, CAG filed the Lawsuit alleging Alternative violated Proposition 65 by exposing employees and other persons to Covered Chemicals contained in certain roofing products without providing "clear and reasonable" warnings. Such alleged exposures constitute "consumer product," "occupational" and "environmental" exposures within the meaning of the Proposition 65 implementing regulations set forth at California Code of Regulations, title 22, section 12601, subdivisions (b), (c) and (d), respectively. Alternative denies the material allegations of the Lawsuit, and denies 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 Alternative 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 hereto.

1.9 CAG and Alternative enter into this Settlement Agreement to settle disputed claims between the Parties.

1.10 By execution of this Settlement Agreement, the Parties do not admit any facts or conclusions of law, including, but not limited to, 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, including, but not limited to, any admission concerning the meaning of the terms "knowingly and intentionally expose" or "clear and reasonable warning" as used in Health and Safety Code section 25249.6. Nothing in this Settlement Agreement, nor compliance with the terms of this Settlement Agreement, shall constitute or be construed as evidence of an admission or evidence of fault, wrongdoing, or liability by Alternative, 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 and Alternative 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 discharges Alternative, its affiliates, subsidiary and parent corporations, and/or 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 attorneys' fees, costs and expenses related to or arising out of the facts and claims alleged in the Lawsuit. (However, this Settlement Agreement pertains only to roofing operations conducted under the names Alternative Roofing Solutions, Inc., Alternative Roofing Solutions, ARS, or Sonoma/Marin Gutters, or names similar to Alternative Roofing Solutions, Inc., Alternative Roofing Solutions, ARS, or Sonoma/Marin Gutters, and it does not extend to roofing operations conducted under names wholly different from those identified in this sentence.) 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 of California. CAG acknowledges that the claims released in section 2.1 above may include unknown claims and waives Section 1542 as to any such unknown claims. Section 1542 reads 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.

CAG acknowledges and understands the significance and consequences of this specific waiver of Civil Code Section 1542.

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 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 alleged failures to provide clear and reasonable

warnings, pursuant to Proposition 65, that roofing operations cause exposure to materials containing asphalt, coal tar, or their constituents.

4.0 Defendant's Duties

4.1 Alternative agrees to provide Proposition 65 warnings and to take actions intended to prevent, reduce, or 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, Alternative 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, Alternative 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. For the purposes of this Settlement Agreement, such places of business shall not include job sites at which Alternative performs services, but which are not owned and operated by Alternative. The Proposition 65 warning sign shall set forth 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.

The Parties agree that 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 and consumer product exposures occur because of the presence of Covered Chemicals in certain roofing products, and that warnings for such exposures are required. Alternative disputes this. In recognition of the measures adopted below and the effect those measures will have, the Parties agree that warnings for consumer product exposures and environmental exposures are not required.

4.4 The Parties agree that Alternative shall institute certain measures to reduce or mitigate occupational, environmental, or consumer exposures to the Covered Chemicals arising from the use of certain roofing products whenever, or in the event, that Alternative uses tank trucks or kettles. 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 “consumer product” or “environmental” exposures would not be required. Beginning within sixty days after entering into this Settlement Agreement, Alternative shall do the following whenever, or in the event, that Alternative uses tank trucks or kettles:

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.

Alternative 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.

5.0 Payments

5.1 Defendants' Payment in Lieu of Civil Penalties. Following court approval of the Settlement Agreement, Alternative shall pay to CAG, a corporation commenced for the purpose of furthering environmental causes, the sum of \$1,000.00. Payment shall be 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. CAG shall provide its address and federal tax identification number to Alternative prior to such payment.

5.2 Payment to Yeroushalmi & Associates. Following court approval of the Settlement Agreement, Alternative will pay \$9,000.00 to CAG's attorneys, for CAG's attorney fees and costs. The check shall be to "Yeroushalmi & Associates." CAG represents and warrants that CAG has authorized the payment of attorney fees and costs, and that the payment and any application and/or distribution of such payment will not violate any agreement between CAG and its attorneys or with any other person or entity. CAG releases and agrees to hold harmless the Released Parties with regard to any issue concerning the allocation and/or distribution of the amount paid under this section. Yeroushalmi & Associates shall provide its address and federal tax identification number to Alternative prior to such payment.

6.0 Authority To Enter Into Settlement Agreement

6.1 CAG represents that its signatory to this Settlement Agreement has the authority to enter into this Settlement Agreement on behalf of CAG and to bind legally CAG. Alternative represents that its signatory to this Settlement Agreement has the authority to enter into this Settlement Agreement on behalf of Alternative and to bind legally Alternative.

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 signature shall be as valid as the original.

9.0 Court 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). CAG is submitting the Settlement Agreement to the court for court approval of the order ONLY and not for judgment.

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

9.3 Following court approval of Settlement Agreement, CAG shall forthwith dismiss Alternative from the lawsuit with prejudice.

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 all Parties hereto.

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 Attorneys' Fees

15.1 In the event that a dispute arises with respect to any provision(s) of the Settlement Agreement, and such disputes are resolved by the Court or through mediation, arbitration, or other alternative dispute resolution proceeding, the prevailing party in such action or proceeding shall be entitled to recover costs and reasonable attorneys' fees.

16.0 Notification Requirements

16.1 Any notice required or permitted hereunder 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 Alternative:

David Leonard, Esq.
Lanahan & Reilley LLP
600 Bicentennial Way, Suite 300
Santa Rosa, CA 95403
Fax: 707.523.4610

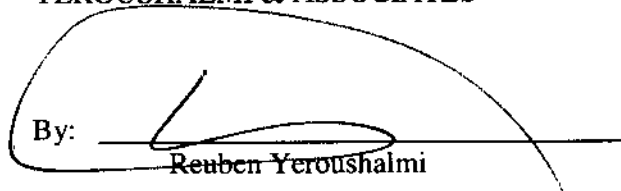
Any Party may change its designee(s) for purposes of notification by providing notice of such change pursuant to this section.

Dated: 8/27/07 By: 
CONSUMER ADVOCACY GROUP, INC.

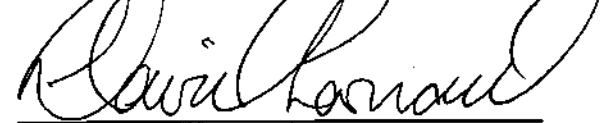
Dated: 8/23/07 By: 
ALTERNATIVE ROOFING SOLUTIONS, INC.
Letitia Hanke, president

As to form only:

YEROUSHALMI & ASSOCIATES

Dated: 8/27/07 By: 
Reuben Yeroshalmi

LANAHAN & REILLEY LLP

Dated: 8/24/07 By: 
David Leonard