

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into by and between Michael DiPirro, a California citizen, and Amrep, Inc. ("Amrep"), a Georgia corporation, as of August 14, 2000 (the "Effective Date"). The parties agree to the following terms and conditions:

WHEREAS:

A. Michael DiPirro is an individual residing in San Francisco, California, who 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;

B. Amrep is a company that currently manufactures and distributes sealing products that contain toluene, a substance known to the State of California to cause birth defects (or other reproductive harm);

C. A list of the products which contain toluene (the "Listed Chemical") and which are covered by this Agreement is provided in Exhibit A (the "Products"). Michael DiPirro asserts that the Products have been manufactured, distributed and sold by Amrep for use in California since at least December 10, 1995;

D. On December 10, 1999, Michael DiPirro first served Amrep and other public enforcement agencies with a document entitled "60-Day Notice of Violation" which provided Amrep and such public enforcers with notice that Amrep was allegedly in violation of Health & Safety Code §25249.6 for failing to warn purchasers that certain products it sells in California expose users to Proposition 65-listed chemicals;

E. On March 8, 2000, Michael DiPirro filed a complaint entitled Michael DiPirro v. Amrep, Inc. in the San Francisco County Superior Court, naming Amrep as a defendant and alleging violations of Business & Professions Code §17200 and Health & Safety Code §25249.6 on behalf of individuals in California who allegedly have been exposed to chemicals listed pursuant to Proposition 65 contained in certain Amrep products.

F. Nothing in this Agreement shall be construed as an admission by Amrep of any fact, finding, issue of law, or violation of law, nor shall compliance with this Agreement constitute or be construed as an admission by Amrep of any fact, finding, conclusion, issue of law, or violation of law. However, this paragraph shall not diminish or otherwise affect the obligations, responsibilities, and duties of Amrep under this Agreement.

NOW THEREFORE, MICHAEL DIPIRRO AND AMREP AGREE AS FOLLOWS:

1. Product Warnings. Amrep shall begin to initiate revisions to its health hazard warnings for its Products to provide the language set forth in the section 1.1 below. Beginning on August 30, 2000, Amrep agrees that it will not knowingly ship (or cause to be shipped) any Products containing the Listed Chemical for sale in the State of California unless such Products comply with section 1.1 below:

1.1 For all Products containing toluene, such Products shall bear the following warning statement on the Product label:

“WARNING: This product contains toluene, a chemical known to the State of California to cause birth defects (or other reproductive harm)”;

or

“WARNING: This product contains a chemical known to the State of California to cause birth defects (or other reproductive harm)”;

The warning statement shall be prominently placed upon the Product's label with such conspicuousness, as compared with other words, statements, designs or devices on the label as to render it likely to be read and understood by an ordinary individual under customary conditions of purchase or use.

2. Payment Pursuant To Health & Safety Code §25249.7(b). Pursuant to Health & Safety Code §25249.7(b), Amrep shall pay a civil penalty of \$48,000 in two installments. The first installment of \$10,000 shall be paid within ten (10) calendar days after the Effective Date of this Agreement. The second installment of \$38,000 shall be paid on August 1, 2001. However, the second payment shall be waived if Amrep reformulates the Products to eliminate the presence of toluene for all sales to California after July 1, 2001. For purposes of this section, “eliminate the presence of toluene” shall mean reductions of the current quantity in each Product by at least 99% of the current quantity. Certification of such reformulation must be provided to DiPirro in writing by July 15, 2001. The penalty payments are to be made payable to “Chanler Law Group In Trust For Michael DiPirro”. Penalty monies shall be apportioned by DiPirro in accordance with Health & Safety Code §25192, with 75% of these funds remitted to the State of California's Department of Toxic Substances Control.

3. Reimbursement Of Fees And Costs. The parties acknowledge that DiPirro offered to resolve the dispute without reaching terms on the amount of fees and costs

to be reimbursed, thereby leaving this open issue to be resolved after the material terms of the agreement had been reached, and the matter settled. Amrep then expressed a desire to resolve the fee and cost issue concurrently with other settlement terms, so the parties tried to reach an accord on the compensation due to DiPirro and his counsel under the private attorney general doctrine codified at C.C.P. §1021.5.

Amrep shall reimburse DiPirro for his fees and costs, incurred as a result of investigating, bringing this matter to Amrep's attention, litigating and negotiating a settlement in the public interest. Amrep shall pay the total sum of \$26,500 for investigation fees, attorneys' fees and litigation costs. Payment should be made payable to the "Chanler Law Group." Amrep shall pay on the following schedule:

On or before August 24, 2000.....	\$5,300
On or before September 24, 2000.....	\$5,300
On or before October 24, 2000.....	\$5,300
On or before November 24, 2000.....	\$5,300
On or before December 20, 2000.....	\$5,300

4. Michael DiPirro's Release Of Amrep and Others. Michael DiPirro, by this Agreement, on behalf of himself, his agents, representatives, attorneys, assigns and the citizens of the State of California, waives all rights to institute or participate in, directly or indirectly, any form of legal action, and releases all claims, liabilities, obligations, losses, costs, expenses, fines and damages, against Amrep and its distributors, retailers, customers, directors, officers, employees, affiliates, successors and assigns, whether under Proposition 65 or the Business & Profession Code §17200 et seq. based on failure to warn about exposure to the Listed Chemical contained in any of the Products. This release expressly extends, without limitation, to Michael's Stores and Payless Cashways, also known as Lumberjack's.

5. Amrep's Release Of Michael DiPirro. Amrep, by this Agreement, waives all rights to institute any form of legal action against Michael DiPirro and his attorneys or representatives, for all actions or statements made by Michael DiPirro, and his attorneys or representatives, in the course of seeking enforcement of Proposition 65 or Business & Profession Code §17200 against Amrep.

6. Stipulated Judgment. Concurrently with the execution of this Agreement, Michael DiPirro and Amrep shall execute and file a stipulated judgment to be approved pursuant to C.C.P. §664.6 by the San Francisco County Superior Court in accordance with the terms of this Agreement. If, for any reason, the stipulated judgment is not approved by the Court, this Agreement shall be deemed null and void. However, the parties agree to cooperate toward obtaining final court approval of the Agreement in the event it is initially rejected by the Court.

7. Dismissal of Action Against Michael's. Michael DiPirro and his attorneys shall dismiss, with prejudice, that certain action filed in the San Francisco Superior Court, styled *DiPirro v. Michael's Store, Inc., et al.*, bearing Case No. 313591 within ten (10) calendar days of receiving approval of the stipulated judgment from the court.

8. Product Characterization. Amrep acknowledges that each of the Products listed in Exhibit A contains toluene and Plaintiff alleges that the customary use or application of the Products is likely to expose users to toluene, a substance known to the State of California to cause birth defects (or other reproductive harm). In the event that Amrep obtains analytical, risk assessment or other data ("Exposure Data") that shows an exposure to any or all Products will have "no observable effect," as each such standard is applicable and as each is defined under Health & Safety Code §25249.10(c) and Amrep seeks to eliminate the warnings, then Amrep shall provide DiPirro with ninety (90) days prior written notice of its intent to limit or eliminate the warning provisions under this Agreement based on the Exposure Data and shall provide DiPirro with all such supporting Exposure Data. Within ninety (90) days of receipt of Amrep Exposure Data, DiPirro shall provide Amrep with written notice of his intent to challenge the Exposure Data (in the event that he chooses to make such a challenge). If DiPirro fails to provide Amrep written notice of his intent to challenge the Exposure Data within ninety (90) days of receipt of Amrep's notice and the Exposure Data, DiPirro shall waive all rights to challenge the Exposure Data, and Amrep shall be entitled to limit or eliminate the warning provisions required under this Agreement with respect to those Product(s) to which the Exposure Data applies. If DiPirro timely notifies Amrep of his intent to challenge the Exposure Data, DiPirro and Amrep (a) may stop its efforts to eliminate the warnings upon notice to DiPirro with no further liability or obligations or (b) shall negotiate in good faith for a period not to exceed thirty (30) days following receipt of Amrep notice to attempt to reach a settlement of this issue. If a settlement is not reached, DiPirro and Amrep agree to submit such challenge to the superior court for determination, pursuant to the court's continuing jurisdiction of this matter under C.C.P. §664.6 and this Agreement. The prevailing party shall be entitled to reasonable attorneys' fees and costs associated with bringing a motion brought under this paragraph to the court for determination. Notwithstanding the foregoing, in the event that Amrep is no longer required to provide the warnings provided for herein under applicable law, regulation or court order, then Amrep may discontinue the warnings with no further liability or obligations to the extent that new law, regulation or court order provides.

9. Severability. In the event that any of the provisions of this Agreement are held by a court to be unenforceable, the validity of the enforceable provisions shall not be adversely affected.

10. Attorney's Fees. In the event that a dispute arises with respect to any provision(s) of this Agreement, the prevailing party shall be entitled to recover costs and

reasonable attorneys' fees.

11. Governing Law. The terms of this Agreement shall be governed by the laws of the State of California.

12. Notices. All correspondence to Michael DiPirro shall be mailed to:

Hudson Bair, Esq.
Kapsack & Bair, LLP
1440 Broadway, Suite 610
Oakland, CA 94612
(510) 645-0027

or

Clifford A. Chanler, Esq.
Chanler Law Group
Magnolia Lane (off Huckleberry Hill)
New Canaan, CT 06840-3801
(203) 966-9911

All correspondence to Amrep shall be mailed to:

Michael P. O'Bresly
Lynch, Gilardi & Grummer
50 Francisco Street, Suite 400
San Francisco, CA 94133
(415) 397-2800

13. Compliance With Reporting Requirements. The parties agree to comply with the reporting form requirements referenced in Health & Safety Code §25249.7(f). As of the Effective Date, the California Attorney General's reporting forms are not available. Plaintiff's counsel represents, however, that he will send a copy of this Agreement to the California Attorney General's Office before or concurrently with the presentation of the Stipulated Judgment to the San Francisco County Superior Court.

14. Counterparts and Facsimile. This Agreement may be executed in counterparts and facsimile, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

15. Authorization. The undersigned are authorized to execute this Agreement on behalf of their respective parties and have read, understood and agree to all of the terms and conditions of this Agreement.

AGREED TO:

DATE: _____

Michael DiPirro
PLAINTIFF

AGREED TO:

DATE: _____

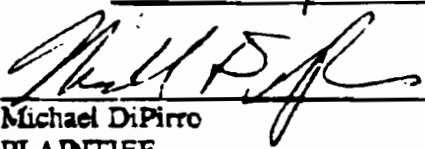


Amrep, Inc.
DEFENDANT by
Kevin Gallagher, President

AGREED TO:

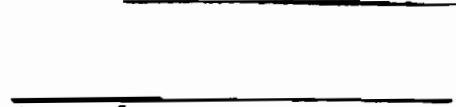
DATE:

8/15/00


Michael DiPirro
PLAINTIFF

AGREED TO:

DATE:


Amrep, Inc.
DEFENDANT