

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into by and between Michael DiPirro, a California citizen, and Contract Coatings Corporation, a California corporation ("Contract Coatings"), as of December 6, 1999 (the "Effective Date"). The parties agree to the following terms and conditions:

WHEREAS:

A. Michael DiPirro is an individual residing in San Francisco 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. Contract Coatings is a company that manufactures, packages or otherwise sells paints, enamels, stains and paint thinners containing toluene, a substance known to the State of California to cause reproductive toxicity;

C. A list of the products which contain toluene and which are covered by this Agreement is provided in Exhibit A (the "Products"). The Products have been sold by Contract Coatings for use in California since at least September 27, 1999; and

D. On September 27, 1999, Michael DiPirro first served Contract Coatings and all of the requisite public enforcement agencies with a document entitled "60-Day Notice" which provided Contract Coatings and such public enforcers with notice that Contract Coatings 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; and

E. On December 3, 1999, Michael DiPirro filed a complaint entitled Michael DiPirro v. Contract Coatings Corporation, et al. in the San Francisco Superior Court, naming Contract Coatings 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 Contract Coatings products.

F. Contract Coatings at all times denied and denies the material factual and legal allegations contained in the 60-Day Notice and the Complaint. Nothing in this Agreement shall be construed as an admission by Contract Coatings 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 Contract Coatings 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 Contract Coatings under this Agreement.

NOW THEREFORE, MICHAEL DIPIRRO AND CONTRACT COATINGS AGREE AS FOLLOWS:

1. Product Warnings. Contract Coatings 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 January 15, 2000, Contract Coatings agrees that it will not knowingly ship (or cause to be shipped) any of the Products 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."

or

"WARNING: This product will expose you to toluene, a chemical known to the State of California to cause birth defects or other reproductive harm."

The warning statement shall be prominent and displayed at the point of sale with such conspicuousness, as compared with other words, statements, or designs as to render it likely to be read and understood by an ordinary individual.

2. Warning Labels for Products "In Commerce". The parties agree and acknowledge that an unknown volume of Products were introduced into the "stream of commerce" before the Effective Date of this Agreement. In an effort to reasonably ensure that persons who might use or be exposed to the toluene in or from these "in commerce" Products, Contract Coatings shall, within thirty (30) days from the Effective Date, provide Interim

Warning Materials to its customers whom Contract Coatings knows or has reason to believe currently distribute or sell Products in California. Such "Interim Warning Materials" shall include the following: (a) a reasonably sufficient number of warning stickers (considering the potential volume of Products that the recipient distributes or sells in California); (b) a letter of instruction for the application of such warning stickers; and (c) a Notice and Acknowledgement form to be signed by the customer and returned to Contract Coatings. If Contract Coatings certifies to DiPirro that it has been complying with paragraph 1 above prior to the Effective Date, then Contract Coatings shall have no obligation to provide interim warnings as set forth in this paragraph.

3. Payment Pursuant To Health & Safety Code

§25249.7(b). Pursuant to Health & Safety Code §25249.7(b), Contract Coatings shall pay a civil penalty of \$10,000 in three installments. The first payment of \$1,000 is due within five (5) days of the Effective Date of the Agreement. The second payment of \$6,000 is due on October 1, 2000. The second payment, however, shall be waived if Contract Coatings undertakes good faith efforts over the next 10 months to reformulate the Products so as to eliminate the presence of toluene. In order to obtain the waiver, Contract Coatings shall provide a written description of such efforts on or before August 15, 2000. The third payment of \$3,000 is due on January 15, 2001. This payment, however, shall be waived, if such Products are reformulated on or before December 30, 2000 so that no shipments of the toluene-containing products are made in California after January 1, 2001. Payment of the penalties shall be made payable to the "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.

4. Reimbursement Of Fees And Costs.

Contract Coatings shall reimburse DiPirro for his fees and costs, incurred as a result of investigating, bringing this matter to Contract Coatings's attention, litigating and negotiating a settlement in the public interest. Contract Coatings shall pay: \$9,000 for pre-notice investigation fees; \$450 for expert, investigation and litigation costs; and \$100 in attorneys' and post-notice investigation fees. Contract Coatings agrees to pay \$2,000 within five (5) days of the Effective Date of the Agreement and a second payment of \$2,775 on or before March 9, 2000. The third payment of \$4,775 is due on January 15, 2001. The third payment, however, shall be waived, if the Products are reformulated on or before December 30, 2000 so that no shipments of the toluene-containing products are made in California after January 1, 2001. Payment should be made payable to the "Chanler Law Group".

5. DiPirro's Release Of Contract Coatings DiPirro, by this Agreement, on behalf of himself and in his representative capacity on behalf of the citizens of the State of California, his agents, and/or assignees, waives all rights to institute any form of legal action (and releases all claims) against Contract Coatings and its distributors and retailers whether under Proposition 65 or Business & Profession Code §§17200, 17500 related to Contract Coatings's alleged failure to warn about exposure to toluene contained in any of the Products.

6. Contract Coatings's Release Of Michael DiPirro. Contract Coatings, by this Agreement, waives all rights to institute any form of legal action against 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 §§1720 against Contract Coatings.

7. Stipulated Judgment. Concurrently with the execution of this Agreement, DiPirro and Contract Coatings shall execute and file a stipulated judgment to be approved pursuant to CCP §664.6 by the San Francisco 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.

8. 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.

9. Attorneys' Fees In The Event Of A Dispute. 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.

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

11. Notices. All correspondence to DiPirro shall be mailed to:

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

All correspondence to Contract Coatings shall be mailed to:

Donald M. Stevenson
Law Office of Donald M. Stevenson
311 East Main Street, Suite 302
Stockton, CA 95202-2504

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

13. 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:

AGREED TO:

DATE: _____

DATE: Dec. 3, 1999

Michael DiPirro
PLAINTIFF



Contract Coatings Corporation
DEFENDANT

Donald M. Stevenson
Law Office of Donald M. Stevenson
311 East Main Street, Suite 302
Stockton, CA 95202-2504

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DATE: 12/6/99

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Michael DiPirro
PLAINTIFF

Contract Coatings Corporation
DEFENDANT

Exhibit A

EXHIBIT A

NO. 650	White Metal Primer
NO. 655	Red Metal Primer
NO. 656	Black Metal Primer
NO. 660	Gray Metal Primer
NO. R.W.	Olive Drab Metal Primer
NO. 646	Zinc Chromate Type Metal Primer
NO. 666	Gray Pheonlic Metal Primer
NO. 679	Stellar Green Metal Primer