

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into by and among Michael DiPirro, a California citizen, and Engelhard Corporation ("Engelhard"), a Delaware Corporation, as of March 1, 1999 (the "Effective Date"). The parties agree to the following terms and conditions:

WHEREAS:

A. 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. Engelhard is a company that manufactures and distributes brazing and soldering products containing cadmium, lead and lead compounds, nickel, and chromium (hexavalent chromium), substances known to the State of California to cause cancer and/or birth defects (or other reproductive harm).

C. A list of the products covered by this Agreement is provided in Exhibit A (the "Products"). The Products have been manufactured, distributed or sold by Engelhard for use in California since at least June 26, 1994; and

D. On June 26, 1998, DiPirro first served Engelhard and the requisite public enforcement agencies with a document entitled "60-Day Notice" which provided such public enforcers with notice that Engelhard 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. Engelhard at all times has denied 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 Engelhard of any fact, finding, conclusion, issue of law, or violation of law, nor shall compliance with this Agreement constitute or be construed as an admission by Engelhard 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 Engelhard under this Agreement.

NOW THEREFORE, DIPIRRO AND ENGELHARD AGREE, AS FOLLOWS:

1. **Product Warnings.** Beginning on the Compliance Dates set forth in Table 1 below, Engelhard agrees that it will not knowingly ship (or cause to be shipped) any Products containing cadmium, lead and lead compounds, nickel, or chromium (hexavalent chromium) for sale in the State of California unless such Products comply with Paragraph 1.1 or 1.2 below, whichever provision is applicable:

Table 1

Product	Compliance Date
Brazing Alloys and Wire	April 1, 1999
Solder Alloys and Wire	June 1, 1999

1.1 For all Products containing nickel or chromium (hexavalent compounds), such Products shall bear on the Product label the following warning statement or such other warning statement as the State of California, or any of its agencies, may from time to time specify:

"WARNING: This product contains a chemical known to the State of California to cause cancer."

For all Products containing cadmium or lead or lead compounds, such Products shall bear the Product label the following warning statement or such warning statement as the State of California, or any of its agencies, may from time to time specify:

"WARNING: This product contains a chemical known to the State of California to cause cancer and birth defects (or other reproductive harm)."

The warning statement shall be prominent and displayed on the Product packaging 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. However, this paragraph shall not prevent or otherwise interfere with Engelhard's obligations to comply with other federal, state or local labeling requirements.

1.2 For soldering coils and wire which are intended for sale individually, as opposed to being intended for sale in their packaging, the Products shall contain warning language identical to Paragraph 1.1 above, on the outside and inside of each package containing one or more coil or wire strips. In addition, on the inside of each package, Engelhard shall provide instructions to its distributors and retailers to transfer Proposition 65 warnings to their customers of those Products.

By April 1, 1999, Engelhard also agrees to either: a) send a certified letter to each of its soldering specialist distributors that instructs such distributor to transfer the appropriate toxic warnings to their customers; or b) include a provision in Engelhard's distributor

agreements in which the distributor covenants not to sell the Products without the required Proposition 65 warnings. Engelhard will specify in the certified letter and/or distributor agreement that the requirement to transfer the Proposition 65 product warning applies to Products that are "in commerce," as that term is described in Paragraph 2 of this Agreement, and to "New Products" (as that term is defined in Paragraph 3 of this Agreement).

2. **Warning Labels for Products "In Commerce"**. The parties agree and acknowledge that an unknown volume of Products will be distributed and sold in California after the applicable Compliance Date set forth in Table 1, Products which were introduced into the "stream of commerce" before the applicable Compliance Date, and for which it would not be commercially feasible for Engelhard to comply with the terms of Paragraphs 1 and 2 of this Agreement. Nevertheless, in an effort to reasonably ensure that persons who might use or be exposed to cadmium, lead and lead compounds, nickel and/or chromium (hexavalent compounds) in or from these "in commerce" Products, Engelhard shall comply with the terms set forth at Paragraph 1.2 of this Agreement. It is agreed by the parties that Engelhard's compliance with the provisions of this Paragraph 2 shall be deemed to comply with Proposition 65 for purposes of those Products introduced into the "stream of commerce" before the applicable Compliance Date set forth in Table 1. Nothing contained in this paragraph or Agreement shall be construed to impose any affirmative obligation on Engelhard with respect to "in commerce" Products.

3. **Deemed Compliance**. Any New Products (as defined in this Paragraph 3) manufactured, distributed and/or sold by Engelhard after the applicable Compliance Date set forth in Table 1 shall be deemed to comply with the provisions of this Agreement and the requirements of Proposition 65 with respect to product warnings if they are accompanied by the product warnings as set forth in Paragraph 1. For purposes of this Agreement, "New Products" shall include any Products that are substantially similar to those included in Exhibit A which contain cadmium, lead and lead compounds, nickel and/or chromium (hexavalent compounds) and which were not manufactured, distributed and/or sold by Engelhard in California on or before the applicable Compliance dates set forth in Table 1.

4. **Payment Pursuant To Health & Safety Code §25249.7(b)**. Pursuant to Health & Safety Code §25249.7(b), within 5 days of the Effective Date of the Agreement, Engelhard shall pay a civil penalty of \$10,000, 75% of which is to be remitted to the State of California. It is expressly understood and agreed that DiPirro shall bear all responsibility for apportioning and remitting to the State of California the appropriate civil penalties paid in accordance with this paragraph. DiPirro shall provide written notice to Engelhard that the penalty monies have been remitted to the California Department of Toxic Substances, within 5 business days after such remittance.

5. **Reimbursement of Fees and Costs**. Within 5 days of the Effective Date of the Agreement, Engelhard shall reimburse DiPirro \$23,000 for his investigation fees and costs, attorneys' fees and costs, and any other costs incurred as a result of investigating, bringing this matter to the parties' attention, and negotiating a settlement in the public interest.

6. **DiPirro's Release as a Citizen Enforcer.** DiPirro, by this Agreement, on behalf of himself, his agents, representatives, attorneys, assigns, successors 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 Engelhard and its distributors, retailers, customers, directors, officers, employees, affiliates, successors and assigns, whether under Proposition 65 or the Business & Professions Code §17200 et seq. based on Engelhard's failure to warn about exposure to cadmium, lead and lead compounds, nickel and/or chromium (hexavalent compounds) contained in any of the Products.

7. **Engelhard's Release.** Engelhard, 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 DiPirro, and his attorneys or representatives, in the course of seeking enforcement of Proposition 65 or Business & Professions Code §17200 against Engelhard.

8. **DiPirro's Release in his Individual Capacity.** DiPirro, on behalf of himself, his agents, representatives, attorneys, successors and assigns, and not in his representative capacity on behalf of citizens of the State of California, hereby releases Engelhard for any and all actions which DiPirro may have against Engelhard in connection with the sale of any of the types of products listed in Exhibit A, other than the duties and obligations referenced in this Agreement.

9. **Waiver of the Provisions of the California Civil Code, Section 1542.** DiPirro, on behalf of himself, his agents, representatives, attorneys, successors and assigns, and not in his representative capacity on behalf of citizens of the State of California, hereby waives the provision of the California Civil Code, Section 1542, 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. DiPirro only waives CCP §1542 with respect to the general release that is provided on behalf of himself, his agents, representatives, attorneys, successors and assigns, as set forth in Paragraph 7 above.

10. **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.

11. **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.

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

13. **Notices.** All correspondence to Michael DiPirro shall be mailed to:

Clifford A. Chanler
Chanler Law Group
190 Riverside Drive, 10th Floor
New York, NY 10024

All correspondence to Engelhard shall be mailed to:

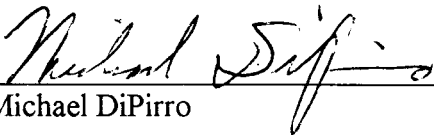
General Counsel
Engelhard Corporation
101 Wood Avenue
Iselin, NJ 08830

14. **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.

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: 2/22/99


Michael DiPirro

AGREED TO:

DATE: 3/1/99

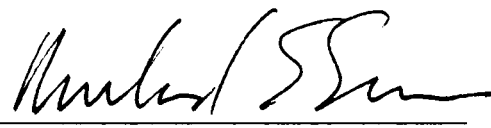

Engelhard Corporation
Durland E. Evans
Group Vice President

EXHIBIT A

Brazing Alloys and Wire
Solder Alloys and Wire