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January 26, 2011

VIA FACSIMILE 216-839-8813 AND U.S. MAIL

BASF Corporation
Attn: John R. Pendergast, Jr.
23700 Chagrin Blvd.
Beachwood, OH 44122

CONFIDENTIAL SETTLEMENT COMMUNICATION

RE: Our Client: Kelly Coleman
Project: 516 Belle Isle Avenue, Belleair Beach, Florida

Dear Mr. Pendergast:

Please be advised that I represent Mr. Coleman regarding the defective Sonolastic 150 joint sealant ("product") and other BASF products recommended, manufactured and distributed by BASF Corporation ("BASF") for use at Mr. Coleman's residence located at 516 Belle Isle Avenue, Belleair Beach, Florida ("project"). Please direct all further communications regarding this matter to my attention.

This correspondence constitutes a confidential settlement communication which shall not be used for any purpose other than settlement negotiations.

I have reviewed the correspondence between Mr. Coleman and you, Steve Nickell, Raymond Schoderbek and Pete Walsh. I have also reviewed the Sonolastic 150 Tint Base product material disseminated in 2000, 2005 and 2007 and other BASF product data. Since you are undoubtedly aware of the facts and circumstances surrounding Mr. Coleman's claim, I will not restate all of them in this correspondence. The purpose of this correspondence is to explore an amicable resolution without the need for costly and protracted litigation.

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It is clear from the material that I have reviewed that the product recommended by Peter Walsh, BASF's territory sales manager, and manufactured and distributed by BASF or its predecessor, was defective and not fit for its intended purpose as a joint sealant at the project.

Mr. Coleman's position in this matter is clear. BASF, through Mr. Walsh, represented to Mr. Coleman that the product was fit for its intended purpose notwithstanding the product failures that occurred prior to the completion of the work. Mr. Walsh also represented to Mr. Coleman that any future failures of the product would be corrected at BASF's sole expense. Mr. Coleman relied on these representations and continued to perform the work utilizing the product. As we now know, there has been a total cohesive failure of the product at the project. To date, BASF has failed and refused to repair said failures. It is clear that despite the representations and assurances of BASF, the product was not fit for its intended purpose. Mr. Schoderbek's May 8, 2009 correspondence clearly indicates as much wherein he states that ". . .the sealant was exposed to service conditions beyond the capability of the product." We believe that if this matter proceeds to litigation, we will be able to demonstrate that BASF was aware during the initial application of the product that it was unsuitable for use at the project.

If this matter proceeds to litigation, it is my intention to assert claims not only for breach of express warranty, implied warranty and oral contract, but also claims for negligent and/or intentional misrepresentation and claims under the Florida Deceptive and Unfair Trade Practices Act, which provides for prevailing party attorney fees, in addition to costs, I believe discovery will reveal widespread failure of this product throughout the Southeast which I intend to share with the Plaintiffs' bar if this matter proceeds to litigation. Our investigation has revealed that the product did not contain sufficient UV stabilizers or the addition of the BASF coloring agents degraded the effectiveness of the UV stabilizers.

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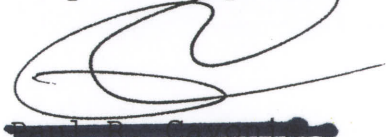
Since BASF and Mr. Coleman have been corresponding regarding his claim for quite some time, I do not intend to engage in protracted negotiations.

BASF extended an offer of \$15,515.00 prior to receiving Mr. Coleman's demand package. As Mr. Coleman's demand package demonstrates, this offer is grossly inadequate. As you are aware, Mr. Coleman's documented labor and material expenses to have all BASF waterproofing components installed were \$244,000. Ancillary expenses relating to the installation of the BASF waterproofing components bring the total to \$285,939.37. Mr. Coleman previously provided you with the documentation substantiating the foregoing expenses. Not included in the above amounts are expenses related to the interior damage sustained as a result of BASF's failure to repair and/or replace the defective product and other waterproofing components, despite its verbal agreement to do so.

Please contact me within five (5) days of your receipt of this correspondence and advise if BASF is interested in amicably resolving this matter.

Should you have any questions or comments, please do not hesitate to advise.

Very truly yours,



~~_____~~

PRC:jh

pc: Mr. Kelly Coleman