

## **\$90B Lawsuit filed By US Government Against Largest Producers Of Isocyanates**

San Francisco CA, September 22, 2016 -- (MARKET WIRE) – Hybrid Coating Technologies Inc. (HCTI: OTCBB) announced today that the US government, represented by Kasowitz, Benson, Torres & Friedman LLP, has launched a \$90 billion dollar False Claims Act (FCA) lawsuit against BASF Corporation, Bayer Material Science LLC, Dow Chemical Company and Huntsman International LLC. These companies have been accused of selling billions of dollars worth of harmful isocyanate chemicals but intentionally concealing their dangers to consumers and the U.S. Environmental Protection Agency (EPA) over the past several decades. In the suit, the law firm said that the defendants manufacture and sell isocyanate chemicals such as methylene diphenyl diisocyanate (MDI), polymeric MDI (PMDI) and toluene diisocyanate (TDI). These raw materials make up polyurethane products such as liquid coatings, paints and adhesives; flexible foam used in mattresses and cushions; rigid foam used as insulation; and elastomers used to make automotive interiors.

“This is important news for the company that could significantly change the polyurethane industry,” said Joseph Kristul, president and CEO, “This shows the extent of the pressure that is being put on the polyurethane industry to find alternatives to isocyanates, which are harmful and dangerous to people’s health and the environment. The government is pushing on multiple fronts including education, legislation and now with potentially devastating litigious action. This further reinforces why Hybrid has been approached and entered into joint development agreements and joint collaborations with some of the largest companies in the world to produce non-isocyanate polyurethane products based on Hybrid’s proprietary, patented chemistry.”

See full news release below released by Ecowatch

<http://www.ecowatch.com/whistleblower-lawsuit-chemical-companies-2005784783.html>

Four of the country's largest chemical companies have been accused of selling billions of dollars worth of harmful isocyanate chemicals but intentionally concealing their dangers to consumers and the U.S. Environmental Protection Agency (EPA) over the past several decades.

BASF Corporation, Bayer Material Science LLC, Dow Chemical Company and Huntsman International LLC have been named in a False Claims Act (FCA) lawsuit brought by New York law firm Kasowitz, Benson, Torres & Friedman LLP on behalf of the U.S. government.

EcoWatch learned that the recently unsealed whistleblower lawsuit was served on the chemical companies on Wednesday. The lawsuit was originally filed under seal in federal court in Northern California.

Kasowitz brought this action on behalf of itself and the federal government to recover more than \$90 billion in damages and penalties under the FCA, which imposes penalties for concealing obligations to the government.

According to a copy of the lawsuit seen by EcoWatch, "Each of these companies is separately liable to the United States Government for billions of dollars in civil reporting penalties, which continue to accumulate by tens of thousands of dollars daily, and for billions of dollars in similarly increasing breach of contract damages."

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Occupational Safety and Health Administration (OSHA) states that exposure to isocyanate can irritate the skin and mucous membranes, cause chest tightness and difficult breathing. Isocyanates also include compounds classified as potential human carcinogens and is known to cause cancer in animals.

As alleged in the complaint, the defendants, the isocyanate industry and the EPA have long known that inhalation of isocyanates, including MDI, PMDI and TDI, can cause harm to human health.

Kasowitz believes that the chemical giants obtained scientific evidence that their widely used isocyanate chemicals can cause serious health injuries in ways not known to the EPA or the public, but failed to disclose this information to the EPA, thereby breaching their obligations under the Toxic Substances Control Act.

"Between at least 1979 and 2003, each defendant obtained and developed discrete and separate items of scientific and medical information that TDI, MDI and PMDI can cause and had caused permanent respiratory injury in humans when inhaled at levels below applicable inhalation exposure limits (low-level inhalation)," the lawsuit states.

The lawsuit further states that "Each defendant also knew during this time period that a very small quantity of TDI, MDI or PMDI on the skin—as little as one drop or 50 microliters—could cause respiratory injury in humans.

"Defendants knew that this information reasonably supported the conclusion that TDI, MDI and PMDI presented a substantial risk of injury to health, that the EPA was not adequately informed of that information, and that TSCA therefore required that they (each defendant) immediately report the substantial risk information to the EPA."

According to Andy Davenport of Kasowitz, "The defendants' cover-up implicates major human health concerns. Thankfully, the whistleblower law allows us to assist the federal government in holding these companies responsible for their actions while we alert regulators and the public to the serious undisclosed hazards of these chemicals."

Hybrid's patented technology is the only formulation in the world today that produces polyurethane without the use of any isocyanates in the entire production process.

## **CAUTIONARY DISCLOSURE ABOUT FORWARD-LOOKING STATEMENTS**

This release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E the Securities Exchange Act of 1934, as amended and such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Statements in this news release other than statements of historical fact are "forward-looking statements" that are based on current expectations and assumptions. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the statements, including, but not limited to, the following: the ability of Hybrid

Coating Technologies Inc. to provide for its obligations, to provide working capital needs from operating revenues, to obtain additional financing needed for any future acquisitions, to meet competitive challenges and technological changes, and other risks. Hybrid Coating Technologies Inc undertakes no duty to update any forward-looking statement(s) and/or to confirm the statement(s) to actual results or changes in Hybrid Coating Technologies Inc. expectations.

### **About Hybrid Coating Technologies**

Hybrid Coating Technologies (HCT) is a San Francisco-based innovator focused on improving the quality and safety of foams, coatings, and adhesives for industrial and commercial customers around the world. We are the exclusive licensee of Green Polyurethane™ foam, coatings, and adhesives – the world's first-ever patent protected polyurethane-based foam, coatings, and adhesive products that eliminate toxic isocyanates from the entire production process (licensed by Nanotech Industries, Inc.) and the 2015 recipient of the Presidential Green Chemistry Award.

### **The Problem of Conventional Foams/Coatings/Paint and Isocyanates**

Conventional polyurethane (PU) paint and coatings have many disadvantages: they are porous, permeable and maintain poor hydrolytic stability. This makes the material highly vulnerable to environmental degradation and ultimately leads to their chemical decomposition, especially when in contact with water. Conventional PU foams such as spray foam insulation are applied via a spraying mechanism that sends toxic isocyanates in the air – exposing workers to the dangers of toxic isocyanates. Strict and costly health & safety measures have to be implemented in the manufacture and application of conventional polyurethane due to the toxicity of isocyanates. This is why regulatory bodies around the world are now looking toward phasing out the use of isocyanates.

### **The Green Polyurethane™ Solution**

Green Polyurethane™ (also referred to as “HNIPU” - hybrid non-isocyanate polyurethane) is a “hybrid” material that combines the high chemical resistance properties of epoxy and advanced durability and wear resistance properties of polyurethane, making it the perfect coating application for sanitary, high traffic and corrosive surface areas. As a hybrid material with superior properties, Green Polyurethane™ can be applied in one or two coatings, providing a welcome cost-saving substitute to currently used multi-layered coating applications. Its safety features allow it to be applied without the interruption of business due to public exposure, creating an additional 30-60% savings on application costs for customers. As a foam, Green Polyurethane™ provides high R values up to 6.0, energy savings up to 30% and improved tensile strength over conventional foam without using dangerous isocyanates.

### **Recent Anti-Isocyanate Regulatory Pressure**

US EPA MDI Action Plan: The US EPA (Environmental Protection Agency) is taking progressive action to regulate and potentially ban isocyanates and has mentioned Hybrid's technology as an alternative to toxic polyurethane in its MDI Action Plan against isocyanates (see page 4 Figovsky and Shapovalov)

<http://www.epa.gov/sites/production/files/2015-09/documents/tdi.pdf>

OSHA National Emphasis Program: On June 25, 2013 the Occupational Safety and Health Administration (OSHA), a division of the US Department of Labor, initiated a National Emphasis Program to protect workers from the serious health effects from occupational exposure to isocyanates. Isocyanates are found in polyurethane based products. According to OSHA, "Workers exposed to isocyanates can suffer debilitating health problems for months or even years after exposure which could result in death."

California's Department of Toxic Substances Control (DTSC) on March 13, 2014 selected isocyanates and two others substances from a list of 1,100 toxic components that it will focus on with the goal of potentially banning them altogether within the next two years. The announcement is part of a bigger effort

to educate consumers and manufacturers about product safety under the Green-Chemistry Law, which went into effect in California last year. Under the law, the agency has jurisdiction to ban these products altogether after following proper protocol. That process includes workshops, a public comment period and requiring manufacturers that want to sell these products in California to determine whether it would be feasible to use safer ingredients

The US EPA on January 8, 2015 announced that it was taking action to protect consumers from new uses and imports of harmful isocyanates in polyurethane. The EPA's proposed action, a Significant New Use Rule (SNUR) under the Toxic Substances Control Act (TSCA), would require manufacturers (including importers) to notify the EPA at least 90 days before starting or resuming new uses of isocyanates in polyurethane based consumer products. The EPA would then have the opportunity to evaluate the intended use of and if necessary, to take action to prohibit or limit all products containing over one tenth of one percent of the chemical including imported products that make their way into the United States

On September 14, 2016 BASF Corporation, Bayer Material Science LLC, Dow Chemical Company and Huntsman International LLC were named in a \$90 Billion False Claims Act (FCA) lawsuit brought by New York law firm Kasowitz, Benson, Torres & Friedman LLP on behalf of the U.S. government for selling billions of dollars worth of harmful isocyanate chemicals but intentionally concealing their dangers to consumers and the U.S. Environmental Protection Agency (EPA) over the past several decades. In the suit, the law firm said that the defendants manufacture and sell isocyanate chemicals such as methylene diphenyl diisocyanate (MDI), polymeric MDI (PMDI) and toluene diisocyanate (TDI). These raw materials make up polyurethane products such as liquid coatings, paints and adhesives; flexible foam used in mattresses and cushions; rigid foam used as insulation; and elastomers used to make automotive interiors.

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