

## SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (this "Agreement") is made effective on the date on which it is executed (the "Effective Date") between Environmental Research Center Inc. ("ERC") and Inner Health Group, Inc. ("COMPANY"). ERC and COMPANY are referred to individually as a "Party" and collectively as the "Parties." The Parties agree as follows:

1. This Agreement is limited to this Matter, which is defined as all claims and allegations related to the Notice of Violations of California Health & Safety Code §25249.5, *et seq.* (also known as "Proposition 65") that ERC served on COMPANY November 23, 2010 (the "Notice"), and the products identified below (the "Covered Products").

- **Michael's Naturopathic Programs Ultimate Detox & Cleanse 168 tablets**
- **Michael's Naturopathic Programs Super Defense Food 1.4 oz**
- **Michael's Naturopathic Programs Ultimate Detox, Cleanse, & Rebuild 7 Day Program tablets**
- **Michael's Naturopathic Programs Super Defense Food 7 Day Program 1.4 oz**
- **Michael's Naturopathic Programs Ultimate Diet & Energy 60 tablets**
- **Michael's Naturopathic Programs Fiber & More 90 tablets**
- **Michael's Naturopathic Programs Fat Metabolism Factors 90 tablets**
- **Michael's Naturopathic Programs Cholesterol Metabolism Factors 90 tablets**

2. The Parties enter into this Agreement in order to achieve a settlement of the claims as stated in Section 1 for the purpose of avoiding prolonged litigation. Nothing in this Agreement shall be construed as an admission of ERC or COMPANY of any fact, issue of law, or violation of law, nor shall compliance with this Agreement constitute or be construed as an admission by COMPANY of any fact, issue of law or violation of law. COMPANY contends that the settlement in this matter has been agreed to based on economic considerations. Nothing in this Agreement or any document referred to herein, shall be construed as giving rise to any presumption or inference of admission or concession by COMPANY as to any fault, wrongdoing or liability whatsoever. The Parties agree that this paragraph shall not diminish or otherwise affect the obligations, responsibilities, and duties of the Parties under this Agreement.

3. In consideration of the following covenants of COMPANY, and the other conditions contained in this Agreement, ERC releases COMPANY as set forth in Paragraph 9 below:

a. As used in this Agreement, the terms "distributes for sale into California" and "distribute into the State of California" shall mean to directly ship Covered Products into California for sale in California or to sell Covered Products to a distributor that COMPANY knows will sell the Covered Products in California.

b. Beginning on the Effective Date, COMPANY shall not manufacture for sale in the State of California, distribute into the State of California, or directly sell to a consumer in the State of California, any Covered Products which expose a person to a daily dose of lead more than 0.5 micrograms per day when the maximum suggested dose is taken as directed on the Covered Product's label, unless each such unit of the Covered Products bears the following

warning statement on its individual unit label packaging or by sticker securely affixed on the container or bottle cap:

**“WARNING: This product contains lead, a chemical known to the State of California to cause [cancer,] birth defects, or other reproductive harm.”**

c. The term “cancer” shall be included in the warning only if the maximum recommended daily dose causes an exposure to more than 15 micrograms of lead when taken as directed on the Covered Product’s label.

d. The warning statement set forth in Section 3b. shall be prominent and displayed securely on either the cap, the unit packaging, or by a securely affixed hang tag on the Covered Products with such conspicuousness, as compared with other words, statements, or designs so as to render it likely to be read and understood by an ordinary individual purchasing or using the Covered Products. The warning statement in Section 3b may not be accompanied by language beyond or in addition to the warning, such as an explanation of Proposition 65 or exemptions thereto.

e. COMPANY shall test at least five (5) randomly-selected samples of five separate lots each year for each Covered Product for lead content to confirm the level of lead when taken pursuant to the directions on the Covered Product label. If the number of lots of one or more of the Covered Products produced in any year is less than five (5), then samples shall be obtained from the total number of lots produced of the Covered Product(s) during the year. For purposes of determining whether a warning, if any, is required, the highest lead detection result of the five (5) randomly selected samples of the Covered Products will be controlling. COMPANY shall provide ERC with any related documentation pursuant to Section 3.f.2, and shall include the lot identification numbers of the lots tested. The first test shall commence no later than July 1, 2013 for Covered Products received between the Effective Date and July 1, 2013. For Covered Products for which a lot has not been received between the Effective Date and July 1, 2013, the first test shall commence when the first lot is received. COMPANY shall test samples in the form intended for the end-user.

f. If COMPANY is successful with reformulation for any of the Covered Products, and reduces the lead content to 0.5 micrograms or below when taken pursuant to the maximum number of servings pursuant to the directions on the label of the Covered Product, both ERC and COMPANY agree that the Covered Products may be offered for sale in California without the warning stated in Section 3b, after COMPANY shows proof of such reformulation by satisfying the requirement of this Section f. If COMPANY is successful with reformulation on any of the Covered Products, COMPANY shall notify ERC and provide any test results for the Covered Products that document this change in formulation, no longer than 10 working days after COMPANY’s receipt of the test results.

(1) Pursuant to Sections 3e. and 3f., any such testing shall be performed by a laboratory certified by the California Environmental Laboratory Accreditation Program for the analysis of heavy metals or a laboratory that is approved by, accredited by, or

registered with the United States Food & Drug Administration for the analysis of heavy metals. The method of selecting samples for testing must comply with the regulations of the Food & Drug Administration as set forth in Title 21, Part 111, Subpart E of the Code of Federal Regulations, including section 111.80(c). Testing for lead shall be performed using Inductively Coupled Plasma-Mass Spectrometry (ICP-MS) and closed-vessel, microwave-assisted digestion employing high-purity reagents or any other testing method agreed upon in writing by the parties. Nothing in this Agreement shall limit COMPANY's ability to conduct or require that others conduct additional testing of the Products, including raw materials used in their manufacture.

(2) Pursuant to Sections 3e. and 3f., COMPANY shall retain copies of its test data from the date testing commenced and shall provide all test data to ERC within ten (10) days of receipt of said data after conducting the required testing as set forth above. The requirement to conduct lead testing and provide test data to ERC under paragraphs 3e and 3f(2) shall cease after five (5) years from the Effective Date.

g. The requirements of Sections 1, 2, and 3a.,3b.,3c.,3d., 3e., 3f. will only apply to any time in which COMPANY is a "person in the course of doing business," as that term is defined in Health and Safety Code Section 25249.11(b). COMPANY represents that during periods when the covered products were placed in the stream of commerce it was a person in the course of doing business because it employed 10 or more employees.

4. In full and final satisfaction of civil penalties, payment in lieu of further civil penalties, ERC's reasonable costs and attorney fees, COMPANY shall make a total payment of \$26,512.00 ("Total Settlement Amount") to ERC. Sections 4.a-4.e below describe the agreed partition and timing of payments of the Total Settlement Amount.

a. The Total Settlement Amount, \$26,512.00 shall be considered a reimbursement to ERC for its reasonable costs and attorney's fees associated with the enforcement of Proposition 65, bringing this matter to COMPANY's attention, and negotiating a settlement in the public interest. Of the Total Settlement Amount of \$26,512.00, \$11,512.00 shall be for reimbursement of ERC's attorney's fees and \$15,000.00 shall be for ERC's reasonable costs associated with the enforcement of Proposition 65 and other costs incurred as a result of work in bringing this action.

b. Pursuant to Section 4, COMPANY agrees to remit the Total Settlement Amount of \$26,512.00 to ERC with the schedule for the payment of these funds as follows: within 5 days of the Effective Date, COMPANY shall pay ERC the sum of ten thousand dollars (\$10,000.00). Subsequently, COMPANY shall make six (6) successive monthly payments, each due on the 1<sup>st</sup> day of each month, with each in the amount of \$2,752.00. COMPANY shall make these payments by checks made payable to "Environmental Research Center" and sent by first-class registered or certified mail, or overnight delivery, to ERC at: Environmental Research Center, 3111 Camino Del Rio North, Suite 400, San Diego, CA 92108.

c. In the event that any payments owed under Section 4 of this Settlement Agreement are not remitted on or before the due date, COMPANY shall be in default of its obligations under this Settlement Agreement. ERC shall provide written notice to COMPANY

of any default at: Michael Schwartz, Inner Health Group, Inc., 6003 Randolph Blvd., San Antonio, TX 78233. If COMPANY fails to remedy the default within five (5) business days of receiving such notice, then all future payments due herein shall become immediately due and payable.

5. COMPANY and ERC shall bear any and all of their own costs, expenses, and attorneys' fees related to this matter.
6. In consideration of the following covenant of ERC, and the other conditions contained in this Agreement, ERC releases COMPANY as set forth in Paragraph 7 below.
7. ERC, on behalf of itself and its respective owners, principals, shareholders, officers, directors, employees, agents, affiliates, parents, subsidiaries, servants, heirs, executors, administrators, successors, assigns, and legal representatives, releases COMPANY from all claims for violations of Proposition 65 up through the Effective Date based on exposure to lead from the Covered Products as set forth in the Notice served on COMPANY on November 23, 2010.
8. The Parties hereby agree that this Settlement Agreement & Release applies to COMPANY, and fully releases COMPANY, its parents, subsidiaries, affiliates (including those companies that are under common ownership and/or common control), shareholders, directors, members, managers, officers, employees, and attorneys, and each entity to whom each of them directly or indirectly distributed or sold the Products, including but not limited to manufacturers, distributors, wholesalers, customers, retailers, franchisees, and any other person or entity in the course of doing business who distributed, marketed, or sold the products, and excluding private label customers, from all claims asserted in the Notice.
9. ERC, on its own behalf, on one hand, and COMPANY, on the other hand, release and waive any claims they may have against each other, and their shareholders, officers, directors, members, managers, employees, agents, representatives, and attorneys ("the Releasees") for all actions or statements made or undertaken by the Releasees in the course of seeking or opposing enforcement of Proposition 65 in connection with the Notice.
10. Nothing in this Release is intended to apply to any occupational or environmental exposures arising under Proposition 65, except as otherwise provided in this Agreement, nor shall it apply to any of COMPANY's products other than the Covered Products.
11. Nothing herein shall be construed as diminishing COMPANY's continuing obligations to comply with Proposition 65.
12. After execution of this Agreement, ERC will submit to the California Attorney General a Report of Settlement. In addition, ERC will provide to the California Attorney General a signed copy of this Agreement. The Parties acknowledge and agree that the Parties shall provide as much information as is requested by the California Attorney General, or any other governmental agency, regarding this Matter, its settlement, and this Agreement.

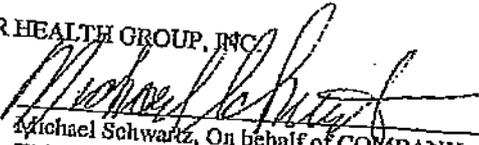
13. This Agreement contains the entire agreement between the Parties with regard to settlement of this Matter, and supersedes all prior or contemporaneous agreements or understandings, written or oral, with regard to the matters set forth in this Agreement. This Agreement may be amended or modified in whole or in part at any time only by an agreement in writing executed by the Parties.
14. This Agreement shall terminate ten (10) years after its Effective Date.
15. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective owners, principals, shareholders, members, managers, affiliates, officers, directors, employees, agents, servants, heirs, executors, successors, and assigns.
16. No inference, assumption or presumption shall be drawn, and no provision of this Agreement shall be construed against any of the Parties, based upon the fact that one of the Parties and/or one of the Parties' attorneys prepared and/or drafted all or any portion this Agreement. It is conclusively presumed that the Parties participated equally in the preparation and drafting of this Agreement.
17. If any provision, term, or section of this Agreement is found to be invalid, illegal, or unenforceable, then all remaining provisions, terms, or sections shall continue in full force and effect and remain binding on the Parties. If any provision, term, or section of this Agreement is determined to be unenforceable, then such provision, term, or section may be modified so that the unenforceable provision, term, or section is enforceable to the greatest extent possible.
18. This Agreement shall be deemed to have been entered into in the State of California, and governed and interpreted by the laws of the State of California, regardless of the physical locations of the individuals executing this Agreement at the time of execution.
19. The Parties acknowledge that they have a right to consult an attorney and they have consulted their attorneys with respect to the terms and conditions of this Agreement or by signing this Agreement hereby acknowledge they have made the decision not to consult with an attorney in this Matter. The Parties further acknowledge that they fully understand this Agreement and the effect of signing and executing this Agreement.
20. The Parties are aware and acknowledge that this Agreement is an out-of-court settlement and that they will not receive the protections afforded by a court-approved consent judgment. The Parties are entering into this Agreement in good faith and in an effort to settle all claims and allegations related to the Notice of Violations of California Health & Safety Code §25249.5, *et seq.*, that ERC served on COMPANY on November 23, 2010, which applies only to the claims made by ERC and to the products identified in the Notice.
21. Any legal action to enforce this Agreement shall be brought in any county of the State of California, any of which is deemed to be the proper venue for such legal action. The prevailing party in any such legal action shall be entitled to recover its attorneys' fees in addition to any other legally recoverable costs.

22. This Agreement may be signed in counterparts, and each counterpart, as well as any facsimile, e-mail, copy of this Agreement, or any other counterpart, shall be deemed to be an original.

23. Each of the individuals who executes this Agreement represents and warrants that he or she has the authority to execute this document and bind the respective Parties to the terms and conditions of this Agreement, and has read, understands, and agrees to all the terms and conditions in this Agreement.

DATED: 4/29/13

INNER HEALTH GROUP, INC.

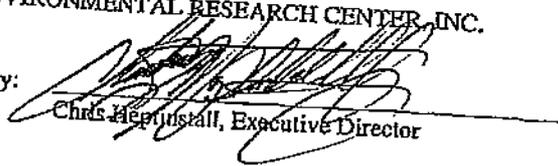
By: 

Michael Schwartz, On behalf of COMPANY

Title: President

DATED: 5/29/2013

ENVIRONMENTAL RESEARCH CENTER, INC.

By: 

Chris Heerjustall, Executive Director