

SETTLEMENT AGREEMENT AND RELEASE

1. INTRODUCTION

1.1 This Settlement Agreement (this "Agreement") is entered into by and between Environmental Research Center ("ERC") as a private enforcer and MacroLife Naturals, Inc. ("MACROLIFE"). ERC and MACROLIFE are hereinafter sometimes referred to individually as a "Party" or collectively as the "Parties."

1.2 ERC is a California non-profit corporation dedicated to, among other causes, helping safeguard the public from health hazards by reducing the use and misuse of hazardous and toxic chemicals, facilitating a safe environment for consumers and employees, and encouraging corporate responsibility.

1.3 MACROLIFE is a California corporation, operating out of Culver City, California. MACROLIFE is qualified to do business in the State of California. For purposes of this action, MACROLIFE agrees that is a "person in the course of doing business" within the meaning of Proposition 65.

1.4 On March 25, 2011 and on December 10, 2012, pursuant to California Health and Safety Code § 25249.7(d)(1), ERC served Notices of Violations of Proposition 65 ("Notices of Violations") on the California Attorney General, other public enforcers, and MACROLIFE. The Notices of Violations contain allegations that MACROLIFE, without giving a required clear and reasonable warning, has exposed and continues to expose individuals in California to lead, a chemical listed under Proposition 65 as a carcinogen and reproductive toxin, by manufacturing, marketing, distributing and/or selling the following four (4) products:

1. MacroLife Naturals Inc. Macro Greens Bar Apple Lemon Ginger
2. MacroLife Naturals Inc. Miracle Reds
3. MacroLife Naturals Inc. Macro Greens
4. MacroLife Naturals Macro Coco Greens

These four (4) products are hereinafter referred to collectively as the "Covered Products." No

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public enforcer has prosecuted the allegations set forth in the Notices.

1.5 The Parties enter into this Agreement in order to settle disputed claims between them and to avoid prolonged and costly litigation.

1.6 Nothing in this Agreement, or compliance with this Agreement, shall constitute or be construed as an admission by the Parties of any fact, issue of law, or violation of law, at any time, for any purpose. Nothing in this Agreement shall be construed as giving rise to any presumption or inference of admission or concession or waiver of a defense by MACROLIFE as to any fault, wrongdoing or liability whatsoever, including, but not limited to, any alleged violation of Proposition 65.

1.7 Except as expressly provided herein, nothing in this Agreement shall prejudice, waive or impair any right, remedy or defense that the Parties may have in any legal proceeding. This paragraph shall not diminish or otherwise affect the obligations, responsibilities, and duties of any Party to this Agreement.

1.8 This Agreement memorializes the Parties' prior oral Agreement, which was reached on December 30, 2013 and is, therefore, dated as of December 30, 2013.

1.9 The only products covered by this Agreement are the Covered Products, and the only chemical covered by this Agreement is the chemical lead as related to the Covered Products. No provision of this Agreement shall apply to MACROLIFE's operations outside of the State of California unless, and only to the extent that, such operations result in shipment or sale of Covered Products into California.

1.10 On or about December 11, 2013, ERC caused to be filed its complaint in the Alameda County Superior Court in an action (the "Action") against the defendants Amazon.com, Inc., Vitacost.com, Inc. Vitamin Shoppe, Inc. and Vitamin Shoppe Industries, Inc, (collectively the "Defendants"), Case No: RG 13706532 (the "Complaint") seeking injunctive and declaratory relief and civil penalties. The Defendants are retailers who, among other things, sell and have sold MACROLIFE'S Covered Products from time to time in California. Upon the execution of this Agreement by the Parties, ERC agrees to execute and cause to be filed a request for entry of dismissal with without prejudice of the entire Action.

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2. INJUNCTIVE RELIEF

2.1 Reformulation of Covered Product

Beginning on April 1, 2014, MACROLIFE shall not manufacture for sale in California, distribute into California, sell to any consumer located in California, or supply to distributors or retailers in California, any Covered Product for which the maximum daily dose recommended on the label contains more than 0.5 micrograms (mcg) of lead, unless each individual product (in the form intended for sale to the end user) bears the warning statement specified in Section 2.2 below on its individual unit label or unit packaging. The term "distribute into California" means to ship any of the Covered Products into California for sale in California or to sell or provide any of the Covered Products to any person or entity, wherever located, that MACROLIFE knows intends to or will ship any of the Covered Products into or sell any of the Covered Products in California.

2.2 Clear and Reasonable Warnings

(a) If the daily lead exposure level is greater than 0.5 micrograms (mcg) for any lot of the Covered Products, the following warning shall be provided:

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

(b) The term "cancer" shall be included only if the maximum dose recommended on the label contains a daily lead exposure level greater than 15 micrograms (mcg) for any lot of the Covered Products.

(c) The warning shall be prominently and securely affixed to or printed upon the "label" (as that term is defined in Section 25602 of Title 27(d) of the California Code of Regulations), cap, or packaging of the Covered Product. The warning shall be displayed with such conspicuousness, as compared with other words, statements, or designs on the label, cap, or package, so as to render it likely to be read and understood by an ordinary individual under customary conditions of purchase or use. If the warning is displayed on the product label, the warning shall be at least the same size as the largest of any other health or safety warnings on the

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product and the word **“WARNING”** shall be in all capital letters and in bold print. If the warning is affixed to the product with a sticker, MACROLIFE must use a permanent adhesive. No other statements relating to Proposition 65 or lead may accompany the warning except that the words **“California Proposition 65”** may precede or follow the warning language.

(d) Nothing in this Agreement shall be construed to require MACROLIFE to continue to provide a warning for Covered Products hereunder if MACROLIFE modifies or reformulates the Covered Products so the amount of lead contained in the Covered Products is below 0.5 micrograms per day. MACROLIFE shall provide ERC with a minimum of thirty (30) days notice prior to discontinuation of a warning for Covered Products pursuant to this Section.

2.3 Testing; Calculation of Lead Levels

(a) On and after April 1, 2014, if the formula of any Covered Product is altered by either the inclusion of a new ingredient or an increase in the percentage of an existing ingredient, or if any ingredient in a Covered Product is sourced from a different supplier, MACROLIFE shall have three (3) randomly selected samples of that Covered Product (in the form intended for distribution or sale to an end-user in California) tested according to the requirements of this Section to determine whether a warning is required. For purposes of determining which warning, if any, is required under Section 2.2, the highest lead detection result of the three randomly selected samples of the Covered Products will be controlling.

(b) All testing is to be performed by a laboratory certified by the California Environmental Laboratory Accreditation Program or a laboratory that is registered with the United States Food & Drug Administration. Testing under this Section shall be performed using Inductively Coupled Plasma-Mass Spectrometry (ICP-MS) or any other testing method agreed upon in writing by the Parties.

(c) If testing is required pursuant to Section 2.3(a) and the result requires a change in the warning presently in use and approved by both Parties at the time of this writing for a product, MACROLIFE shall forward to ERC the copies of all test results and laboratory report documentation relating to the testing for lead content of each of the lots of Covered Products within twenty (20) working days after MACROLIFE's receipt of the test results.

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(d) For purposes of this Agreement, daily lead exposure levels shall be measured in micrograms and shall be calculated using the following formula: micrograms of lead per gram of product (lead content found using the above described testing), multiplied by grams of product per serving of the product (using the maximum serving size appearing on the product label), multiplied by servings of the product per day (using the largest number of servings in a recommended dosage appearing on the product label), which equals micrograms of lead exposure per day.

(e) Nothing in this Agreement shall limit MACROLIFE's ability to conduct, or require that others conduct, additional testing of the Covered Products including the raw materials used in their manufacture.

(f) The testing and sampling methodology set forth above is a result of negotiation and compromise, and is accepted by the Parties for the purposes of settling, compromising, and resolving the issues in this matter, including future compliance with this Agreement, and shall not be used for any purpose or in any other matter, except for the purposes of determining future compliance with this Agreement.

2.4 Additional Compliance Measures

(a) MACROLIFE shall incorporate an addendum requiring its distributors and retailers to comply with California Proposition 65, in the company's existing Distributor and Retailer Agreements, as to the Covered Products sold, distributed, or offered to be sold or distributed in the State of California. MACROLIFE agrees that all future agreements with distributors and retailers shall specifically require compliance with California Proposition 65 as to the Covered Products sold, distributed, or offered to be sold or distributed in the State of California.

(b) For distributors and retailers ordering from MACROLIFE's website, MACROLIFE will include information specifically requiring compliance with California Proposition 65 as to the Covered Products sold, distributed, or offered to be sold or distributed in the State of California, as a condition of doing business with MACROLIFE.

(c) If a warning is required for any of the Covered Products sold, distributed, or offered to be sold or distributed in the State of California by MACROLIFE to its distributors and

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retailers without a warning, MACROLIFE shall provide Proposition 65 warning stickers to MACROLIFE's distributors and retailers, upon such request made by a distributor or retailer.

2.5 Products in the Stream of Commerce

The injunctive relief set forth in Section 2 shall not apply to any of the Covered Products that MACROLIFE put into the stream of commerce before April 1, 2014. Within 10 days after April 1, 2014, MACROLIFE shall provide ERC with the last lot number and expiration date for each of the Covered Products put into the stream of commerce as of April 1, 2014.

2.6 Impact of Statutory and/or Regulatory Changes

Should there be an amendment to Proposition 65 or should OEHHA promulgate regulations that establish a Maximum Allowable Dose Level that is more or less stringent than 0.5 micrograms per day, this Agreement shall be deemed modified on the date the amendment becomes final or the regulations become effective to incorporate that new standard into this Section 2.

2.7 Further Considerations

The requirements of paragraphs 2.1, 2.2, and 2.3 above, will only apply to any time in which MACROLIFE is a "person in the course of doing business," as that term is defined in Health and Safety Code § 25249.11(b). MACROLIFE contends that at certain times during the relevant time period MACROLIFE was not "a person in the course of doing business" by reason of having less than ten employees. MACROLIFE represents that it understands that even if MACROLIFE is not a "person in the course of doing business" under Proposition 65, other companies in its chain of distribution (such as manufacturers, retailers, or distributors) that have 10 or more employees are not exempt from Proposition 65 and could violate Proposition 65 by knowingly and intentionally exposing individuals to chemicals contained in MACROLIFE products without first giving a clear and reasonable warning.

3. SETTLEMENT PAYMENT

3.1 Total Payment

In full and final satisfaction of civil penalties, payment in lieu of further civil penalties, ERC's expenses, and ERC's attorney fees, MACROLIFE shall make a total payment of

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\$60,000.00 ("Total Settlement Amount"). Sections 3.2-3.6 below describe the agreed partition and timing of payment of the Total Settlement Amount.

3.2 Civil Penalty

As a portion of the Total Settlement Amount, \$4,480.00 shall be considered a civil penalty pursuant to California Health and Safety Code § 25249.7(b)(1). ERC shall remit 75% (\$3,360.00) of the civil penalties to the Office of Environmental Health Hazard Assessment ("OEHHA") for deposit in the Safe Drinking Water and Toxic Enforcement Fund in accordance with California Health and Safety Code § 25249.12(c), and a copy of the transmittal letter will be sent to MACROLIFE's counsel. ERC will retain the remaining 25% (\$1,120.00) of the civil penalty.

3.3 Payment in Lieu of Further Civil Penalties

As a portion of the Total Settlement Amount, \$13,432.00 shall be considered a payment to ERC in lieu of further civil penalties for activities such as (1) funding the purchasing and testing of consumer products that may contain Proposition 65 listed chemicals; and (2) funding the continued day-to-day business of enforcement of Proposition 65 matters that address contaminated ingestible products similar to the subject matter of this action.

3.4 Reimbursement of Expenses and Costs

As a portion of the Total Settlement Amount, \$20,738.00 shall be considered a reimbursement to ERC for its reasonable expenditures associated with the enforcement of Proposition 65 and other expenses and costs incurred as a result of preparing and bringing this matter to MACROLIFE's attention, and negotiating a settlement.

3.5 Attorney Fees

As a portion of the Total Settlement Amount, \$19,000.00 shall be allocated by ERC as payment to Karen Evans, Esq. as reimbursement for ERC's attorneys' fees; \$1,855.00 shall be allocated by ERC as payment to Ryan Hoffman as reimbursement for ERC's attorneys' fees; and \$495.00 shall be allocated to Michael Freund as reimbursement for ERC's attorneys' fees.

3.6 Payment Schedule

Within fifteen (15) days from the date this Agreement is executed by the Parties,

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MACROLIFE shall pay ERC the sum of \$60,000 dollars by one check made payable to "Environmental Research Center" and sent by first-class registered or certified mail, or overnight delivery, directly to ERC at the following address:

Environmental Research Center
3111 Camino Del Rio North, Suite 400
San Diego, CA 92108

4. COSTS AND FEES

Except as expressly set forth herein in Section 3, each Party shall bear its own attorneys' fees, costs, and expenses in this action.

5. Plaintiff's Release of Defendant; includes a "Downstream Release."

5.1 Release Terms

ERC, acting on behalf of itself, permanently and fully releases MACROLIFE, its parents, subsidiaries, affiliates (including those companies that are under common ownership and/or common control), shareholders, directors, members, officers, employees, and attorneys, and each entity to whom each of them directly or indirectly distributed or sold the Covered Products, including, but not limited to defendants, distributors, wholesalers, retailers, franchisees, and any other person or entity in the course of doing business who distributed, marketed or sold the Covered Products (not including any private label customers of MACROLIFE), from all claims of any nature asserted in the Notices of Violations based on exposure to lead from the Covered Products up through March 31, 2014.

5.2 Claims included in Release

ERC, on its own behalf, has full knowledge of the contents of Section 1542 of the Civil Code. ERC acknowledges that the claims released herein include unknown claims and therefore ERC waives Section 1542 as to any such unknown claims. Section 1542 reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER

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FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

ERC, on its own behalf, acknowledges and understands the significance and consequences of this specific waiver of Civil Code Section 1542.

5.3 Compliance with the terms of this Agreement constitutes compliance with Proposition 65 with respect to exposures to lead from the Covered Products as set forth in the Notices of Violations.

5.4 ERC on behalf of itself only, on the one hand, and MACROLIFE, on the other hand, release and waive all claims they may have against each other and their respective officers, directors, employees, agents, representatives and attorneys for any statements or actions made or undertaken by them or their respective officers, directors, employees, agents, representatives and attorneys in connection with the Notices of Violations.

5.5 Nothing in this release is intended to apply to any occupational or environmental exposures arising under Proposition 65, nor shall it apply to any of MACROLIFE's products other than the Covered Products.

5.6 Nothing herein shall be construed as diminishing MACROLIFE's continuing obligations to comply with Proposition 65.

6. COMPLIANCE WITH *HEALTH & SAFETY CODE* § 25249.7(f)

6.1 After execution of this Agreement, ERC will submit a Report of Settlement to the California Attorney General. In addition, ERC will provide to the California Attorney General the fully 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.

7. MODIFICATION OF AGREEMENT

This Agreement may be modified only upon written agreement of the Parties.

8. ENFORCEMENT OF AGREEMENT; GOOD FAITH ATTEMPT TO RESOLVE DISPUTES

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In the event a dispute arises with respect to any Party's compliance with the terms and/or conditions of this Agreement, the Party seeking compliance of another Party shall make a good faith attempt to resolve the dispute by conferring with the other Party in person, by telephone or by written communication before seeking relief from a court. The prevailing party in any dispute brought to a court for resolution shall be awarded all reasonable costs and attorney's fees. As used in the preceding sentence, the term "prevailing party" means a party who is successful in obtaining relief more favorable to it than the relief the other party was agreeable to providing during the Parties' good faith attempt to resolve the dispute that is the subject of such an enforcement proceeding.

9. SEVERABILITY OF UNENFORCEABLE PROVISIONS

In the event that any of the provisions hereof are subsequently held by a court to be unenforceable, the validity of the enforceable provisions shall not be adversely affected.

10. GOVERNING LAW

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.

11. DRAFTING

The terms of this Agreement have been reviewed by the respective legal counsel for the Parties prior to its signing, and each Party has had an opportunity to fully discuss the terms and conditions with its legal counsel. The Parties agree that, in any subsequent interpretation or construction of this Agreement, no inference, assumption or presumption shall be drawn, and no provision of this Agreement shall be construed against any Party, based on the fact that one of the Parties and/or one of the Parties' legal counsel prepared and/or drafted all or any portion of this Agreement. It is conclusively presumed that all of the Parties participated equally in the preparation and drafting of this Agreement.

12. ENTIRE AGREEMENT

This Agreement contains the sole and entire agreement and understanding of the Parties with respect to the entire subject matter hereof, and supersedes and replaces any and all prior

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agreements or understandings, written or oral, with regard to the matters set forth herein. No other agreements or understandings not specifically referred to herein, oral or otherwise, shall be deemed to exist or to bind any of the Parties.

13. EXECUTION IN COUNTERPARTS

This Agreement may be executed in counterparts, which taken together shall be deemed to constitute one document. A facsimile or pdf signature shall be construed as valid as the original signature.

14. NOTICES

All notices required by this Agreement to be given to any Party shall be sent by first-class registered or certified mail, or overnight delivery, to the following:

FOR ERC:

Chris Heptinstall, Executive Director
Environmental Research Center
3111 Camino Del Rio North, Suite 400
San Diego, CA 92108

With a copy to:

Karen A. Evans
Law Office of Karen A. Evans
4218 Biona Place
San Diego, CA 92116

FOR MACROLIFE:

MacroLife Naturals, Inc.
8477 Steller Drive
Culver City, CA 90232

With a copy to:

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Michael G. Dave
Marcus, Watanabe & Dave, LLP
1901 Avenue of the Stars, Suite 300
Los Angeles, California 90067

15. AUTHORITY TO SIGN TO THIS AGREEMENT

Each person signing this Agreement on behalf of a Party certifies that he or she is fully authorized by that Party to stipulate to the terms and conditions of this Agreement on behalf of that Party, to enter into and execute this Agreement on behalf of that Party, and to legally bind that Party to this Agreement. Each person signing this Agreement on behalf of a Party represents and warrants that he or she has read and understands this Agreement, and agrees to all of the terms and conditions of this Agreement on behalf of that Party.

AGREED TO BY THE PARTIES:

Dated: _____

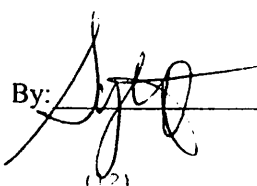
ENVIRONMENTAL RESEARCH CENTER

By: _____

Chris Heptinstall
Executive Director

Dated: 2-10-14

MACROLIFE NATURALS, INC.

By:  _____
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Name: *Sylvia ORTIZ*
Title: *CEO*

APPROVED AS TO FORM:

Dated: _____

LAW OFFICE OF KAREN A. EVANS

By: _____

Karen A. Evans, Attorney for
ENVIRONMENTAL RESEARCH CENTER

Dated: _____

By: _____

Michael G. Dave, Attorney for
MACROLIFE NATURALS, INC.

Michael G. Dave
Marcus, Watanabe & Dave, LLP
1901 Avenue of the Stars, Suite 300
Los Angeles, California 90067

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AGREED TO BY THE PARTIES:

Dated: 2/10/2014

ENVIRONMENTAL RESEARCH CENTER

By: 

Chris Heptinstall
Executive Director

Dated: _____

MACROLIFE NATURALS, INC.

By: _____

Name:

Title:

APPROVED AS TO FORM:

Dated: 2-10-14

LAW OFFICE OF KAREN A. EVANS

By: Karen A. Evans

Karen A. Evans, Attorney for
ENVIRONMENTAL RESEARCH CENTER

Dated: _____

By: _____

Michael G. Dave, Attorney for
MACROLIFE NATURALS, INC.

Name:
Title:

APPROVED AS TO FORM:

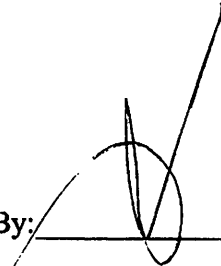
Dated: _____

LAW OFFICE OF KAREN A. EVANS

By: _____

Karen A. Evans, Attorney for
ENVIRONMENTAL RESEARCH CENTER

Dated: 02/10/2014

By:  _____

Michael G. Dave, Attorney for
MACROLIFE NATURALS, INC.