

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (“Agreement”) between Environmental Research Center, Inc. (“ERC”) and Natural Stacks, Inc. (“Natural Stacks”) is effective on the date on which it is fully executed (“Effective Date”). ERC and Natural Stacks are referred to individually as a “Party” and collectively as the “Parties.” The Parties agree as follows:

1. This matter arises out of the Notice of Violation of California Health & Safety Code §25249.5, *et seq.* (also known as “Proposition 65”) that ERC served on Natural Stacks on March 13, 2018 (the “Notice”) with regard to each of the following products identified below (referred to individually as “Covered Product” or collectively as “Covered Products”):

- **Natural Stacks NS Myco Immune All-Season Immunity**
- **Natural Stacks NS Prebiotic+ Resistant Starch Complex Optimal Gut Health**

2. The Parties enter into this Agreement in order to fully resolve all claims, demands, and allegations regarding the Notice and for the purpose of avoiding prolonged litigation. Nothing in this Agreement shall be construed as an admission of the Parties of any fact, issue of law, or violation of law, nor shall compliance with this Agreement constitute or be construed as an admission by the Parties of any fact, issue of law or violation of law. Nothing in this Agreement or any document referred to shall be construed as giving rise to any presumption or inference of admission or concession by the Parties as to any fault, wrongdoing or liability. This Section shall not diminish or otherwise affect the obligations, responsibilities, and duties of the Parties under this Agreement.



3. Injunctive Relief, Reformulation, Testing and Warnings

In consideration of the following covenants and conditions contained in this Agreement, the Parties have provided the releases as set forth in Section 6 below:

3.1 Beginning on August 1, 2018, Natural Stacks shall not manufacture for sale in the State of California, “Distribute into the State of California,” or directly sell in the State of California, any Covered Products which expose a person to a “Daily Lead Exposure Level” of more than 0.5 micrograms of lead per day unless it meets the warning requirements under Section 3.2.

3.1.1 As used in this Settlement Agreement, the term “Distribute into the State of California” shall mean to directly ship a Covered Product into California for sale in California or to sell a Covered Product to a distributor that Natural Stacks knows or has reason to know will sell the Covered Product in California.

3.1.2 For purposes of this Settlement Agreement, the “Daily Lead Exposure Level” shall be measured in micrograms, and shall be calculated using the following formula: micrograms of lead per gram of product, multiplied by grams of product per serving of the

Initials  

product (using the largest serving size appearing on the product label), multiplied by servings of the product per day (using the largest number of recommended daily servings appearing on the label), which equals micrograms of lead exposure per day. If the label contains no recommended daily servings, then the number of recommended daily servings shall be one.

3.2 Clear and Reasonable Warnings

If Natural Stacks is required to provide a warning pursuant to Section 3.1, the following warning must be utilized ("Warning"):

WARNING: Consuming this product can expose you to chemicals including [lead], which [is] [are] known to the State of California to cause [cancer and] birth defects or other reproductive harm. For more information go to www.P65Warnings.ca.gov/food.

Natural Stacks shall use the phrase "cancer and" in the Warning only if the "Daily Lead Exposure Level" is greater than 15 micrograms of lead as determined pursuant to the quality control methodology set forth in Section 3.4 or if Natural Stacks has reason to believe that another Proposition 65 is present at a level requiring the cancer warning.

Natural Stacks shall provide at least one of the following methods of transmission for the Warning: 1) The Warning shall be securely affixed to or printed upon the container or label of each Covered Product offered for sale in California and if the Warning is provided on the label, it must be set off from other surrounding information and enclosed in a box, or 2) for any Covered Product sold over the internet, the Warning shall appear on the checkout page or on an earlier page on which the Covered Product is identified and described prior to the checkout process, but in no event may the Warning be provided through a link on any web page, and shall appear when a California delivery address is indicated for the purchase of any Covered Product. An asterisk or other method of identifying the existence of the Warning must be utilized so the purchaser may readily identify the specific Covered Product(s) subject to the Warning.

The Warning shall be at least the same size as the largest of any other health or safety warnings also appearing on its website, if the Warning is on the website, or on the label or container of Natural Stacks' product packaging, and the word "**WARNING**" shall be in all capital letters and in bold print. No statements intended to or likely to have the effect of diminishing the impact of, or reducing the clarity of, the Warning on the average lay person shall accompany the Warning. Further, no statements may accompany the Warning that state or imply that the source of the listed chemical has an impact on or results in a less harmful effect of the listed chemical.

Natural Stacks must display the above Warning with such conspicuousness, as compared with other words, statements, or designs on the label or container, or on its website, if applicable, to render the Warning likely to be read and understood by an ordinary individual under customary conditions of purchase or use of the product.

Initials 

3.3 Reformulated Covered Products

A Reformulated Covered Product is a Covered Product for which the "Daily Lead Exposure Level" is no greater than 0.5 micrograms of lead per day as determined by the quality control methodology described in Section 3.4.

3.4 Testing and Quality Control Methodology

3.4.1 Beginning within one year of the Effective Date, Natural Stacks shall arrange for lead testing of the Covered Products at least once a year for a minimum of five (5) consecutive years by arranging for testing of one randomly selected samples of each lot of the Covered Products, in the form intended for sale to the end-user, which Natural Stacks intends to sell or is manufacturing for sale in California, directly selling to a consumer in California or "Distributing into the State of California." If tests conducted pursuant to this Section demonstrate that no Warning is required for a Covered Product during each of the five (5) consecutive years, then the testing requirements of this Section will no longer be required as to that Covered Product. However, if during or after the five-year testing period, Natural Stacks changes ingredient suppliers for any of the Covered Products and/or reformulates any of the Covered Products, Natural Stacks shall test that Covered Product annually for at least four (4) consecutive years after such change or reformulation is made.

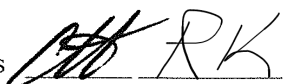
3.4.2 For purposes of measuring the "Daily Lead Exposure Level," the highest lead detection result of the one (1) randomly selected samples of the Covered Products will be controlling.

3.4.3 All testing pursuant to this Settlement Agreement shall be performed using a laboratory method that complies with the performance and quality control factors appropriate for the method used, including limit of detection, qualification, accuracy, and precision that meets the following criteria: Inductively Coupled Plasma-Mass Spectrometry ("ICP-MS") achieving a limit of quantification of less than or equal to 0.010 mg/kg.

3.4.4 All testing pursuant to this Settlement Agreement shall be performed by an independent third-party laboratory certified by the California Environmental Laboratory Accreditation Program or an independent third-party laboratory that is registered with the United States Food & Drug Administration.

3.4.5 Nothing in this Agreement shall limit Natural Stacks' ability to conduct, or require that others conduct, additional testing of the Covered Products, including the raw materials used in their manufacture.

3.4.6 For the time period identified in section 3.4.1 within which testing must occur, within thirty (30) days of ERC's written request, Natural Stacks shall deliver lab reports obtained pursuant to Section 3.4 to ERC. Natural Stacks shall retain all test results and documentation for a period of five (5) years from the date of each test.

Initials 

4 Natural Stacks shall make a total settlement payment of \$36,250.00 ("Total Settlement Amount") made in (6) six consecutive monthly payments by wire transfer to ERC's account according to the following payment schedule ("Due Dates"):

- Payment 1--\$6,041.66 within 10 days of the Effective Date
- Payment 2--\$6,041.66 within 40 days of the Effective Date
- Payment 3--\$6,041.66 within 70 days of the Effective Date
- Payment 4--\$6,041.66 within 100 days of the Effective Date
- Payment 5--\$6,041.66 within 130 days of the Effective Date
- Payment 6--\$6,041.70 within 160 days of the Effective Date

Natural Stacks shall make these payments by wire transfer to ERC's account for which ERC will give Natural Stacks the necessary account information. The Total Settlement Amount shall be allocated as follows:

a. \$20,786.80 shall be considered a civil penalty pursuant to California Health and Safety Code §25249.7(b)(1). ERC shall remit 75% (\$15,590.10) of the civil penalty 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). ERC will retain the remaining 25% (\$5,196.70) of the civil penalty.

b. \$1,368.24 shall be considered a reimbursement to ERC for its costs incurred as a result of bringing this matter to Natural Stacks' attention and negotiating a settlement.

c. \$14,094.96 shall be considered reimbursement for ERC's in-house legal fees.

d. In the event that Natural Stacks fails to remit a payment pursuant to Section 4 on or before the respective Due Dates, Natural Stacks shall be deemed to be in material breach of its obligations under this Agreement. ERC shall provide written notice of the delinquency to Natural Stacks via electronic mail. If Natural Stacks fails to deliver the delinquent payment within five (5) days from the written notice, the Total Settlement Amount shall become immediately due and owing and shall accrue interest at the statutory judgment interest rate provided in the Code of Civil Procedure section 685.010. Additionally, Natural Stacks agrees to pay ERC's reasonable attorneys' fees and costs for any efforts to collect the payment due under this Agreement.

5. Except as expressly set forth in Section 4, the Parties shall bear their own costs, expenses, and attorneys' fees related to the Notice.

6. Binding Effect; Claims Covered and Released

6.1. This Settlement Agreement is a full, final, and binding resolution between ERC, on behalf of itself, and Natural Stacks and its respective officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, franchisees, licensees, customers (not including private label customers of Natural Stacks), and the predecessors, successors, and assigns of any of them (collectively, "Released Parties"). ERC, on behalf of itself and in the public interest, hereby fully releases and discharges the Released Parties from any and all

Initials

claims, actions, causes of action, suits, demands, liabilities, damages, penalties, fees, costs, and expenses asserted, or that could have been asserted from the handling, use, or consumption of the Covered Products, as to any alleged violation of Proposition 65 or its implementing regulations arising from the failure to provide Proposition 65 warnings on the Covered Products regarding lead up to and including the Effective Date.

6.2 ERC on its own behalf only, and Natural Stacks on its own behalf only, further waive and release any and all claims they may have against each other for all actions or statements made or undertaken in the course of seeking or opposing enforcement of Proposition 65 in connection with the Notice up through and including the Effective Date, provided, however, that nothing in Section 6 shall affect or limit any Party's right to seek to enforce the terms of this Settlement Agreement.

6.3 It is possible that other claims not known to the Parties, arising out of the facts alleged in the Notice, and relating to the Covered Products, will develop or be discovered. ERC on behalf of itself only, and Natural Stacks on behalf of itself only, acknowledge that this Settlement Agreement is expressly intended to cover and include all such claims up through and including the Effective Date, including all rights of action therefore. ERC and Natural Stacks acknowledge that the claims released in Sections 6.1 and 6.2 above may include unknown claims, and nevertheless waive California Civil Code section 1542 as to any such unknown claims. California Civil Code section 1542 reads as follows:

(i) A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER 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 behalf of itself only, and Natural Stacks on behalf of itself only, acknowledge and understand the significance and consequences of this specific waiver of California Civil Code section 1542.

6.4 Compliance with the terms of this Settlement Agreement shall be deemed to constitute compliance with Proposition 65 by any releasee regarding alleged exposures to lead in the Covered Products as set forth in the Notice.

6.5 Nothing in this Settlement Agreement is intended to apply to any occupational or environmental exposures arising under Proposition 65, nor shall it apply to any of Natural Stacks' products other than the Covered Products.

7. Nothing herein shall be construed as diminishing Natural Stacks' continuing obligations to comply with Proposition 65.

Initials 

8. All notices required to be given to either Party to this Agreement by the other shall be in writing and sent to the following agents listed below via first-class mail. Courtesy copies via email may also be sent.

FOR ENVIRONMENTAL RESEARCH CENTER, INC.:

Chris Heptinstall, Executive Director, Environmental Research Center
3111 Camino Del Rio North, Suite 400
San Diego, CA 92108
Tel: (619) 500-3090
Email: chris_erc501c3@yahoo.com

With a copy to:

Charles Poss, In-House Counsel
Environmental Research Center
3111 Camino Del Rio North, Suite 400
San Diego, CA 92108
Tel: (619) 500-3090
Email: charlesposs.erc@gmail.com

FOR NATURAL STACKS, INC.:

Roy Krebs
4800 Airport Way South Unit C
Seattle, WA. 98108

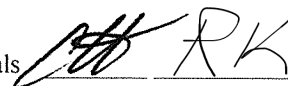
9. After executing this Agreement, ERC will submit to the California Attorney General a Report of Settlement. In addition, ERC will provide to the California Attorney General a signed copy of this Agreement. The Parties acknowledge and agree that the Parties shall provide as much information as is requested by the California Attorney General, or any other governmental agency, regarding this Notice, its settlement, and this Agreement.

10. This Agreement contains the entire agreement between the Parties with regard to settlement of the Notice, and supersedes all prior or contemporaneous agreements or understandings, written or oral, with regard to the Notice as set forth in this Agreement. This Agreement may be amended or modified as to injunctive terms only in whole or in part at any time only by an agreement in writing executed by the Parties.

11. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective owners, principals, shareholders, members, managers, officers, directors, employees, agents, successors, and assigns.

12. No inference, assumption or presumption shall be drawn, and no provision of this

Initials



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 of this Agreement. It is conclusively presumed that the Parties participated equally in the preparation and drafting of this Agreement.

13. 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.

05 / 11 / 2018

14. 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.

15. 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 regarding the Notice. The Parties further acknowledge that they fully understand this Agreement and the effect of signing and executing this Agreement.

16. Any legal action to enforce this Agreement shall be brought in the county of Alameda of the State of California. ERC shall be entitled to recover its reasonable attorneys' fees and costs that are necessary and required to enforce the agreement pursuant to California Code of Civil Procedure section 1021.5.

17. 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.

18. Each of the individuals who execute this Agreement represents and warrants they have the authority to execute this document and bind the respective Parties to the terms and conditions of this Agreement, and have read, understand, and agree to all the terms and conditions in this Agreement.

DATED: 05 / 11 / 2018

NATURAL STACKS, INC.

By: 

Title: CEO

DATED: 5/7/2018

ENVIRONMENTAL RESEARCH CENTER, INC.

By: 

Chris Hopfinstall, Executive Director

Initials 