

## SETTLEMENT AGREEMENT AND RELEASE

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

1. This matter arises out of the Notices of Violation of California Health & Safety Code §25249.5, *et seq.* (also known as "Proposition 65") that ERC served on DripDrop on June 14, 2022, June 23, 2022 and July 6, 2022 (the "Notices") with regard to the following products identified below (referred to as the "Covered Products"):

- **DripDrop ORS Dehydration Relief Fast Electrolyte Powder Watermelon (lead)**
- **DripDrop ORS Dehydration Relief Fast Electrolyte Powder Lemon (lead)**
- **DripDrop ORS Dehydration Relief Fast Electrolyte Powder Orange (lead)**
- **DripDrop ORS Dehydration Relief Fast Mango Electrolyte Powder (lead)**
- **DripDrop ORS Dehydration Relief Fast Hot Honey Lemon Ginger Electrolyte Powder (lead)**
- **DripDrop ORS Dehydration Relief Fast Hot Spiced Apple Cider Electrolyte Powder (lead)**
- **DripDrop ORS Dehydration Relief Fast Hot Hibiscus Electrolyte Powder (lead)**
- **DripDrop ORS Hot Decaf Green Tea Electrolyte Powder (lead)**
- **DripDrop ORS Dehydration Relief Fast Strawberry Lemonade Electrolyte Powder (lead)**
- **DripDrop ORS Dehydration Relief Fast Fruit Punch Electrolyte Powder (lead)**
- **DripDrop ORS Dehydration Relief Fast Concord Grape Electrolyte Powder (lead)**
- **DripDrop ORS Dehydration Relief Fast Tart Cherry Electrolyte Powder (lead)**

Following receipt of the Notices, DripDrop changed the suggested serving size language on the labels of the Covered Products.

2. The Parties enter into this Agreement in order to fully resolve all claims, demands, and allegations regarding the Notices 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.

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SETTLEMENT AGREEMENT AND RELEASE

### 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 the Effective Date, DripDrop shall be enjoined from manufacturing for sale in the State of California, "Distributing into the State of California," or directly selling in the State of California, any Covered Product which exposes 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 Agreement, the term "Distributing 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 DripDrop knows or has reason to know will sell the Covered Product in California.

3.1.2 For purposes of this 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 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 DripDrop 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](http://www.P65Warnings.ca.gov/food).

DripDrop shall use the phrase "cancer and" in the Warning if it has reason to believe the "Daily Lead Exposure Level" is greater than 15 micrograms of lead or if DripDrop has reason to believe that another Proposition 65 chemical is present at a level requiring the cancer warning.

The Warning shall be securely affixed to or printed upon the label of any Covered Product and it must be set off from other surrounding information and enclosed in a box. In addition, for any Covered Product sold over the internet, the Warning shall appear on the checkout page when a California delivery address is indicated for any purchase of any Covered Product. An asterisk or other identifying method must be utilized to identify which product on the checkout page is subject to the Warning. In no event shall any internet or website Warning be contained in or made through a link.

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The Warning shall be at least the same size as the largest of any other health or safety warnings also appearing on DripDrop's website or on the label 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.

DripDrop must display the above Warning with such conspicuousness, as compared with other words, statements or designs on the label, or on its website, as 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.

For purposes of this Agreement, the term "label" means a display of written, printed or graphic material that is printed on or affixed to a Covered Product or its immediate container or wrapper.

### **3.3 Conforming Covered Products**

A Conforming 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 exposure methodology set forth in Section 3.1.2, and that is not known by DripDrop to contain other chemicals at levels that violate Proposition 65's safe harbor thresholds.

### **3.4 Testing and Quality Control Methodology**

**3.4.1** Should DripDrop make a statement on a label of any Covered Product that recommends ingestion of more than one serving per day, then, within one year of that label change, DripDrop shall arrange for lead testing of the Covered Products at least once a year for a minimum of four (4) consecutive years by arranging for testing of three (3) randomly selected samples of the Covered Products, in the form intended for sale to the end-user, which DripDrop 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 the Covered Products during each of the four (4) consecutive years, then the testing requirements of this Section will no longer be required as to the Covered Products. However, if during or after the five-year testing period, DripDrop changes ingredient suppliers for the Covered Products and/or reformulates the Covered Products, DripDrop shall test that Covered Product annually for at least four (4) consecutive years after such change is made.

**3.4.2** For purposes of measuring the "Daily Lead Exposure Level," the highest lead detection result of the three (3) randomly selected samples of the Covered Products will be controlling.

**3.4.3** All testing pursuant to this Agreement shall be performed using a laboratory method that complies with the performance and quality control factors appropriate

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for the method used, including limit of detection and limit of quantification, sensitivity, 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 0.01005 mg/kg.

3.4.4 All testing pursuant to this 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 DripDrop's 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 Within thirty (30) days of ERC's written request, should this subsection become operative, DripDrop shall deliver lab reports obtained pursuant to Section 3.4, and related documentation, to ERC. DripDrop shall retain all such lab reports and related documentation for a period of three years from the date of each test. Any request by ERC for lab reports and related documentation shall be made prior to the expiration of the three-year time period identified in this section 3.4.6. ERC shall treat all documents provided by DripDrop pursuant to this Section as confidential.

4. DripDrop shall make a total payment of \$19,500.00 ("Total Settlement Amount") by wire transfer to ERC's account within 10 days of the Effective Date ("Due Date"), for which ERC will give DripDrop the necessary account information. The Total Settlement Amount shall be allocated as follows:

a. \$1,000.00 shall be considered a civil penalty pursuant to California Health and Safety Code §25249.7(b)(1). ERC shall remit 75% (\$750.00) 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% (\$250.00) of the civil penalty.

\$4,673.98 shall be considered a reimbursement to ERC for its costs incurred as a result of bringing this matter to DripDrop's attention and negotiating a settlement.

c. \$8,400.00 shall be distributed to Aqua Terra Aeris Law Group as reimbursement of ERC's attorney fees, while \$5,426.02 shall be distributed to ERC for its in-house legal fees.

d. In the event that DripDrop fails to remit the Total Settlement Amount owed under Section 4 of this Agreement on or before the Due Date, DripDrop shall be deemed to be in material breach of its obligations under this Agreement. ERC shall provide written notice of the delinquency to DripDrop via electronic mail. If DripDrop fails to deliver the Total Settlement Amount within five (5) days from the written notice, the Total Settlement Amount shall become immediately due and payable and shall accrue interest at the statutory judgment interest rate

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provided in the Code of Civil Procedure section 685.010. Additionally, DripDrop 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 Notices.

**6. Binding Effect; Claims Covered and Released**

6.1. This Agreement is a full, final, and binding resolution between ERC and its respective officers, directors, shareholders, employees, agents, and owners, on behalf of themselves, and DripDrop and its respective officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, suppliers, franchisees, licensees, customers (not including private label customers of DripDrop), distributors, wholesalers, retailers, and all other upstream and downstream entities in the distribution chain of any Covered Product, and the predecessors, successors, and assigns of any of them (collectively, "Released Parties").

6.2 ERC and its respective officers, directors, shareholders, employees, agents, and owners, on behalf of themselves only, hereby fully releases and discharges the Released Parties from any and all 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, labeling 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 that were manufactured on or before the Effective Date regarding exposures to lead.

6.3 ERC, on its own behalf only, and DripDrop 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 Notices 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 Agreement.

6.4 It is possible that other claims not known to the Parties, arising out of the facts alleged in the Notices, and relating to the Covered Products, will develop or be discovered. ERC, on behalf of itself only, and DripDrop, on behalf of itself only, acknowledge that this 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 DripDrop acknowledge that the claims released in Sections 6.2 and 6.3 above may include unknown claims, and the Parties 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 THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND

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THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

ERC, on behalf of itself only, and DripDrop, on behalf of itself only, acknowledge and understand the significance and consequences of this specific waiver of California Civil Code section 1542.

6.5 Compliance with the terms of this Agreement shall be deemed to constitute compliance with Proposition 65 by any of the Released Parties regarding alleged exposures to lead in the Covered Products as set forth in the Notices.

6.6 Nothing in this Agreement is intended to apply to any of DripDrop's products other than the Covered Products.

6.7 The Parties understand and agree that the commitments DripDrop has agreed to herein, and actions to be taken by DripDrop under this Agreement, would confer a significant benefit to the general public, as set forth in Code of Civil Procedure § 1021.5 and Administrative Code title 11 § 3201. As such, it is the intent of the Parties that to the extent any other private party initiates an action alleging a violation of Proposition 65 with respect to DripDrop's failure to provide a warning concerning lead exposure from the Covered Products, as outlined in this Agreement, such private party action would not confer a significant public benefit, provided that DripDrop is in material compliance with this Agreement.

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

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, or via electronic mail where required. Courtesy copies of notices sent via first-class mail may also be sent via email.

**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.heptinstall@erc501c3.org](mailto:chris.heptinstall@erc501c3.org)

With a copy to:  
Matthew C. Maclear  
Anthony M. Barnes  
Aqua Terra Aeris Law Group  
4030 Martin Luther King Jr. Way  
Oakland, CA 94609  
Telephone: (415) 568-5200

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Email: mcm@atalawgroup.com  
amb@atalawgroup.com

**FOR DRIP DROP HYDRATION INC.:**

Natalie Nicholas  
Chief Financial Officer  
1144 65th Street, Suite G  
Oakland, CA 94608  
Email: natalie.nicholas@dripdropors.com

With a copy to:  
Will Wagner  
Arnold & Porter  
Three Embarcadero Center, 10<sup>th</sup> Floor  
San Francisco, CA 94111  
Telephone: (916) 534-1044  
Email: will.wagner@arnoldporter.com

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 the Notices, the settlement, and this Agreement.
10. This Agreement contains the sole and entire agreement between the Parties with regard to settlement of the Notices, and supersedes all prior or contemporaneous agreements or understandings, written or oral, with regard to the Notices 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 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.

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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 by signing this Agreement that they have a right to consult an attorney and that they have either consulted their attorney(s) with respect to the Notices and the terms and conditions of this Agreement or have made the decision not to consult with an attorney regarding the Notices and the terms and conditions of this Agreement. 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.

19. The terms and provisions of this Agreement represent a fair and equitable settlement of all matters raised by ERC's Notices and that the matter has been diligently pursued.

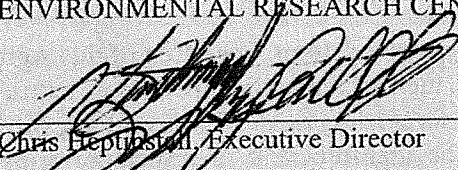
DATED: 12/12/2022

DRIP DROP HYDRATION INC.

By:   
Name: Natalie Nicholas  
Title: Chief Financial Officer

DATED: 12/16/22

ENVIRONMENTAL RESEARCH CENTER, INC.

By:   
Chris Heptinstall, Executive Director

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