

# SETTLEMENT AGREEMENT BETWEEN APS&EE, LLC AND DAVID RIO COFFEE & TEA, INC.

## 1. RECITALS

### 1.1 The Parties

**1.1.1** This Settlement Agreement (“Agreement”) is entered into by and between APS&EE, LLC (“APS&EE”) and David Rio Coffee & Tea, Inc. (“David Rio”). APS&EE and David Rio shall hereinafter collectively be referred to as the “Parties.”

**1.1.2** APS&EE is an organization based in California with an interest in protecting the environment, improving human health and the health of ecosystems, and supporting environmentally sound practices, which includes promoting awareness of exposure to toxic chemicals and reducing exposure to hazardous substances found in consumer products.

**1.1.3** APS&EE alleges that David Rio is a person in the course of doing business as the term is defined in California *Health & Safety Code* section 25249.6 et seq. (“Proposition 65”).

### 1.2 Allegations

**1.2.1** APS&EE alleges that consumption of David Rio Tiger Spice Chai, including but not limited to UPC 6-58564-80398-0 (hereinafter, the “Product(s)”), which are distributed, sold or offered for sale by David Rio in the State of California, exposes consumers to lead without the “clear and reasonable” exposure warning required under Proposition 65. Lead is listed under Proposition 65 as a chemical known to the State of California to cause cancer and birth defects or other reproductive harm.

**1.2.2** On December 22, 2025, APS&EE served a Sixty-Day Notice of Violation (“60-Day Notice”), together with a Certificate of Merit, on David Rio; World Market, LLC; Cost Plus World Market, LLC; and the various public enforcement agencies, alleging that the Products violate Proposition 65.

### **1.3 No Admissions**

David Rio denies all allegations in the 60-Day Notice and maintains that the Products have at all times complied with all applicable laws, including Proposition 65. Nothing in this Agreement shall be construed as an admission by David Rio of liability, wrongdoing, or violation of law. Rather, this Agreement reflects a compromise of disputed claims that David Rio expressly contests and denies. Nothing in this section shall affect the Parties' respective right, duties, and obligations under this Agreement.

### **1.4 Compromise**

The Parties enter into this Agreement in order to resolve the controversy described above in a manner intended to avoid the burden, expense, and uncertainty of litigation.

### **1.5 Effective Date**

The "Effective Date" shall be the date upon which a complete and fully executed copy of the Agreement is delivered to each Party or its counsel.

## **2. INJUNCTIVE RELIEF**

### **2.1 Reformulation Standard**

Commencing sixty (60) days after the Effective Date, David Rio shall not distribute, sell, or offer the Products for sale in California unless: (a) the Products expose a person to less than 0.5 micrograms of lead per day, as calculated in accordance with Section 2.2 below, or (b) the Products are distributed, sold, or offered for sale with a clear and reasonable warning as described in Section 2.3 below.

### **2.2 Exposure Calculation**

For purposes of this Agreement, daily exposure to lead from the Products shall be calculated as the product of: (a) the concentration of lead in the Product, expressed as micrograms of lead per gram; (b) the serving size identified on the label of the Product under "Nutrition Facts," "Supplement Facts," or equivalent panel; and (c) the recommended number of servings of the Products per day stated on the Product label, package, or Product display page on

the internet<sup>1</sup>. If the label, package, or Product display page on the internet do not recommend a number of daily servings, then the number of daily servings shall be one.

### **2.3 Proposition 65 Warnings**

**2.3.1** For purposes of this Agreement, a clear and reasonable warning for the Product shall consist of a warning printed on or affixed to the Product's label in one of the following forms:

**(a) Full Warning (Option 1)**

**WARNING:** Consuming this product can expose you to Lead, which is 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).

**(b) Short-Form Warning (Option 2)**

**WARNING:** Risk of [cancer and] reproductive harm from exposure to lead. See [www.P65Warnings.ca.gov/food](http://www.P65Warnings.ca.gov/food).

-- or --

**WARNING:** Can expose you to lead, a [carcinogen and] reproductive toxicant. See [www.P65Warnings.ca.gov/food](http://www.P65Warnings.ca.gov/food).

**(c) Legacy Warning (Option 3) (for Product manufactured and labeled before January 1, 2028)**

**WARNING:** [Cancer and] Reproductive Harm - [www.P65Warnings.ca.gov](http://www.P65Warnings.ca.gov).

**2.3.2** If the daily exposure to lead from the Product, when calculated under Section 2.2 above, exceeds 15 micrograms per day, the warning shall include the phrase “cancer and” or “carcinogen and,” as applicable.

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<sup>1</sup> The “Product display page on the internet” applies to Products purchased therefrom, not to Products purchased elsewhere, such as a brick-and-mortar retail store.

**2.3.2** Nothing in this Agreement shall prevent David Rio from modifying an approved warning to disclose the presence of additional chemicals, if David Rio determines that such disclosure is appropriate or required.

**2.3.3** Under Option 3, the warning shall be accompanied by a symbol consisting of a black exclamation point in a yellow equilateral triangle with a bold black outline. Where the label for the product is not printed using the color yellow, the symbol may be printed in black and white. The symbol shall be placed to the left of the text of the warning, in a size no smaller than the height of the word “WARNING”.

**2.3.4** Each warning shall: (1) be set off from other surrounding information and enclosed in a box; (2) be displayed with such conspicuousness as compared with other words, statements or designs as to render it likely to be read and understood by an ordinary consumer prior to sale; (3) if the Product label contains consumer information in a foreign language, the warning must also be provided in that same foreign language.

**2.3.5** For Products that David Rio sells directly to consumers located in California through websites it owns or operates, the warning shall be provided either through a clearly marked hyperlink using the word “WARNING” on the product display page or displayed prominently prior to completion of the purchase. For Products that David Rio sells or provides to third parties for resale on websites not owned or operated by David Rio, David Rio shall comply with 27 CCR section 25600.2(b) and (c) and shall provide instructions directing such third parties to comply with the warning requirements of this Section.

**2.3.6** Notwithstanding anything to the contrary in this Section 2.3, David Rio may provide a warning that complies with the then-applicable “clear and reasonable warning” requirements for food exposure warnings set forth in Title 27, California Code of Regulations, including any safe harbor warning content, methods of transmission, or formatting requirements that are in effect at the time the Product is manufactured, labeled, or sold. If such regulatory safe harbor warning requirements are modified or new requirements are adopted after the Effective Date of this Agreement, David Rio may comply with such modified or new requirements in lieu of the warning options set forth in this Section 2.3.

**2.3.7** The warning requirements set forth in this Section 2.3 shall not apply to Products that were manufactured, packaged, labeled, or otherwise placed into the stream of commerce prior to the Effective Date, including Products that are in inventory or already in the possession of distributors, retailers, or consumers.

### **3. PAYMENTS**

#### **3.1 Civil Penalty Pursuant To Proposition 65**

In settlement of all claims referred to in this Agreement, David Rio shall pay a total civil penalty of one thousand dollars (\$1,000.00) to be apportioned in accordance with *Health and Safety Code* section 25249.12(c)(1) and (d), with 75% (\$750.00) for State of California Office of Environmental Health Hazard Assessment (“OEHHA”), and the remaining 25% (\$250.00) for APS&EE.

David Rio shall issue these payments as part of the total payment described below in Section 3.2 via wire transfer to Law Offices of Lucas T. Novak. After receipt of the wire transfer, Law Offices of Lucas T. Novak shall be responsible for forwarding the respective payments to OEHHA and APS&EE.

#### **3.2 Reimbursement Of APS&EE’s Fees And Costs**

David Rio shall reimburse APS&EE’s reasonable experts’ and attorney’s fees and costs incurred in prosecuting the instant action, for all work performed through execution of this Agreement, in the amount of sixteen thousand dollars (\$16,000.00). Accordingly, David Rio shall remit total payment via wire transfer to Law Offices of Lucas T. Novak in the amount of seventeen thousand dollars (\$17,000.00) which includes the civil penalty described in Section 3.1, within five (5) business days of the Effective Date. Wire instructions have been exchanged between the Parties.

### **4. RELEASES**

#### **4.1 APS&EE’s Release Of David Rio**

APS&EE, in consideration of the promises and monetary payments set forth herein, hereby releases and discharges David Rio, together with its past and present parents, subsidiaries, affiliated entities, and all other entities under common ownership or control, as well as their

respective shareholders, directors, officers, managers, members, partners, agents, employees, representatives, attorneys, insurers, successors, and assigns, and all downstream entities in the chain of distribution, including but not limited to distributors, wholesalers, and retailers, including World Market, LLC and Cost Plus World Market, LLC (collectively, the “Released Parties”), from any and all claims, demands, actions, or causes of action arising under Proposition 65 that were or could have been asserted in the Notice relating to alleged exposures to lead from the Products that were manufactured, distributed, or sold or offered for sale in California prior to the Effective Date.

#### **4.2 David Rio’s Release Of APS&EE**

David Rio, by this Agreement, waives all rights to institute any form of legal action against APS&EE, its shareholders, directors, members, officers, employees, attorneys, experts, successors and assignees for actions or statements made or undertaken, whether in the course of investigating claims or seeking enforcement of Proposition 65 against David Rio in this matter. If any Released Parties should institute any such action, then APS&EE’s release of said Released Party in this Agreement shall be rendered void and unenforceable.

#### **4.3 Waiver Of Unknown Claims**

Each of the Parties acknowledges that it is familiar with Section 1542 of California Civil Code which provides as follows:

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

Each of the Parties waives and relinquishes any right or benefit it has or may have under Section 1542 of California Civil Code or any similar provision under the statutory or non-statutory law of any other jurisdiction to the full extent that it may lawfully waive all such rights and benefits. The Parties acknowledge that each may subsequently discover facts in addition to, or different from, those that it believes to be true with respect to the claims released herein

regarding alleged Proposition 65 violations for failure to warn about lead exposure from the Products. The Parties agree that this Agreement and the releases contained herein shall be and remain effective in all respects notwithstanding the discovery of such additional or different facts.

**5. SEVERABILITY**

Should any part or provision of this Agreement for any reason be declared by a Court to be invalid, void or unenforceable, the remaining portions and provisions shall continue in full force and effect.

**6. GOVERNING LAW**

The terms of this Agreement shall be governed by the laws of the State of California. This Agreement is entered into in the State of California and may only be enforced in the State of California.

**7. NOTICES**

All correspondence and notices required to be provided under this Agreement shall be in writing and delivered personally or sent by first class or certified mail addressed as follows:

TO DAVID RIO: Aaron Belzer, Esq. Seyfarth Shaw LLP 2029 Century Park East Suite 3500 Los Angeles, CA 90067	TO APS&EE: Lucas Novak, Esq. Law Offices of Lucas T. Novak 8335 W Sunset Blvd., Suite 217 Los Angeles, CA 90069
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**8. ENFORCEMENT**

Before any Party may take action to enforce the terms of this Agreement for alleged breach, that Party must give the other Party written notice and a good faith opportunity to respond and cure the alleged violation. The Parties must thereafter meet and confer for a period of no less than 30 days to try to resolve any alleged violation. APS&EE shall not bring an enforcement action or institute a judicial proceeding or seek any other relief of any kind if David Rio demonstrates to Plaintiff's reasonable satisfaction that it has complied with the requirements of Section 2 during the meet and confer period. In the event that meet-and-confer efforts are unsuccessful, the Party alleging a violation may initiate a judicial proceeding to enforce this

Agreement no earlier than 30 days after issuing the written notice specified herein.

**9. COUNTERPARTS**


This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which, when taken together, shall constitute the same document. Execution and delivery of this Agreement by e-mail, facsimile, or other electronic means shall constitute legal and binding execution and delivery. Any photocopy of the executed Agreement shall have the same force and effect as the originals.

**10. AUTHORIZATION**

The undersigned are authorized to execute this Agreement on behalf of their respective Parties. Each Party has read, understood, and agrees to all of the terms and conditions of this Agreement. Each Party warrants to the other that it is free to enter into this Agreement and is not subject to any conflicting obligation that will or might prevent or interfere with the execution or performance of this Agreement by said Party.


**AGREED TO:**

Date: June 16, 2026

By:   
Authorized Representative of APS&EE, LLC

**AGREED TO:**

Date: June 16th 2026

By:   
Authorized Representative of David Rio Coffee & Tea, Inc.

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