

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between Environmental Health Advocates, Inc. (“EHA”), on the one hand, and Drops, LLC (“Drops”), on the other hand, with EHA and Drops each individually referred to as a “Party” and collectively as the “Parties.” EHA is a corporation in the State of California, serving in the interest of the general public by seeking to promote awareness of exposures to toxic chemicals and to improve human health by reducing or eliminating hazardous substances used in consumer products. EHA alleges that Drops is a person in the course of doing business for purposes of the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code § 25249.6 *et seq.* (“Proposition 65”).

1.2 General Allegations

EHA alleges that Drops manufactures, sells, and/or distributes for sale in California, THC-infused jelly products that contain Δ^9 - Tetrahydrocannabinol (also known as “Delta-9-THC” or “THC”) without first providing users of the product with a clear and reasonable warning as required by Proposition 65. THC is listed pursuant to Proposition 65 as a chemical known to cause developmental/reproductive harm. Drops denies all allegations asserted by EHA.

1.3 Product Description

The products covered by this Settlement Agreement are defined as, and expressly limited to Drops Cannabis Jellies Lemon, Drops Cannabis Jellies Watermelon, Drops Cannabis Jellies Blueberry, and Drops Cannabis Jellies Cranberry (“Covered Products”), that are manufactured, sold and/or distributed for sale in California by Drops and/or Releasees, as they are defined herein.

1.4 Notice of Violation

On or around June 19, 2026, EHA served Drops, the California Attorney General, and certain other public enforcement agencies with a 60-Day Notice of Violation of Proposition 65 (“Notice”). The Notice alleged that Drops had violated Proposition 65 by failing to sufficiently warn consumers in California of the health hazards associated with potential exposures to THC contained in Covered Products.

To the best of the parties' knowledge, no public enforcer has commenced or is otherwise prosecuting an action to enforce the violations alleged in the Notice.

1.5 No Admission

Drops denies the material, factual, and legal allegations in the Notice and maintains that all of the products it sold and/or distributed for sale in California, including Covered Products, have been, and are, in compliance with all laws. Drops maintains that it has not knowingly distributed, imported, manufactured, sold, or caused to be distributed, imported, manufactured, or sold the Covered Products in the State of California in violation of Proposition 65. Nothing in this Settlement Agreement shall be construed as an admission by Drops or any of its officers, directors, members, managers, shareholders, employees, agents, parent companies, subsidiaries, divisions, affiliates, franchisees, licenses, customers, suppliers, distributors, wholesalers, marketplace hosts, or retailers of any fact, finding, conclusion, issue of law or violation of law, nor shall compliance with this Settlement Agreement constitute or be construed as an admission by Drops or any of its officers, directors, members, managers, shareholders, employees, agents, parent companies, subsidiaries, divisions, affiliates, franchisees, licenses, customers, suppliers, distributors, wholesalers, marketplace hosts, or retailers of any fact, finding, conclusion, issue of law or violation of law, such being specifically denied by Drops. This Section shall not, however, diminish or otherwise affect Drops's obligations, responsibilities, and duties under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean the date this Settlement Agreement is executed by the Parties.

1.7 Compliance Date

For purposes of this Settlement Agreement, the term "Compliance Date" shall mean ninety (90) days after the Effective Date.

2. INJUNCTIVE RELIEF

2.1 General Warning Requirements

Subject to Section 2.2. herein, commencing on the Compliance Date, Drops agrees that Covered Products that Drops sells that is not reformulated pursuant to paragraph 2.1 shall contain a

“clear and reasonable” Proposition 65 warning, within the meaning of Section 25249.6 of the Act. Drops agrees that each warning shall be prominently placed with such conspicuousness, as compared with other words, statements, designs, or devices as to render it likely to be seen, read and understood by an ordinary individual under customary conditions before purchase or use. Each warning shall be provided in a manner such that the consumer or user understands to which specific Covered Products the warning applies, and which listed chemical(s) is/are implicated, so as to minimize the risk of consumer confusion.

For purposes of this Settlement Agreement, a clear and reasonable warning for the Covered Products shall consist of a product-specific warning via one or more of the following methods: (1) A posted sign, shelf tag, or shelf sign for the consumer product at each point of display of the product; (2) Any electronic device or process that automatically provides the warning to the purchaser (not applicable to internet purchases, which are subject to the provisions of § 25602(b)); or (3) A warning directly affixed to the product’s label or tag. Specifically, the following statement must be utilized:

- 1)  **“WARNING:” [or] “CA WARNING:” [or] “CALIFORNIA WARNING:”** Consuming this product during pregnancy exposes your child to delta-9-THC, which can affect your child’s behavior and learning ability. For more information go to www.P65Warnings.ca.gov/cannabis.

The triangle above shall be yellow on the warning statement. Where the sign, label, or shelf tag 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 warning text, in a size no smaller than the height of the word, “WARNING.” In no case shall a warning statement displayed on the Covered Products’ packaging appear in a type size smaller than 6-point type. Where a sign, labeling, or label as defined in Section 256001.1 is used to provide a warning that includes consumer information about a product in a language other than English, the warning must also be provided in that language in addition to English.

As set forth in Cal. Code Regs. Tit. 27, § 25602(b), to the extent Covered Products are sold online, a warning that complies with the content requirements of Cal. Code Regs Tit. 27, § 25603 must be provided via of the following methods: (1) A warning on the product display page; (2) A clearly

marked hyperlink using the word “WARNING” or the words “CA WARNING” or “CALIFORNIA WARNING” on the product display page that links to the warning; or (3) An otherwise prominently displayed warning provided to the purchaser prior to completing the purchase. If a warning is provided using the short-form label content pursuant to Section 25602(a)(4), the warning provided on the website may use the same content. For purposes of this section, a warning is not prominently displayed if the purchaser must search for it in the general content of the website. For internet purchases made prior to 1/1/28, a retail seller is not responsible under Section 25600.2(e)(4) for conspicuously posting or displaying the new warning online until 60 calendar days after the retailer receives a warning or a written notice under Section 25600.2(b) and (c) which updates a short form warning compliant with Section 25603(c) with content compliant with Section 25603(b). These requirements extend to any websites under the exclusive control of Drops where Covered Products are sold into California. In addition, Drops shall instruct any third-party website to which it directly sells its Covered Products to include the same online warning, as set forth above, as a condition of selling the Covered Products in California.

There shall be no obligation for Drops to provide a warning for Covered Products that entered the stream of commerce prior to the Compliance Date, and the Section 4 release applies to all such Covered Products.

(i) Changes in Warning Regulations or Statutes

In the event that the Office of Environmental Health Hazard Assessment promulgates one or more regulations requiring or permitting Proposition 65 warning text and/or methods of transmission applicable to the Covered Products and the chemical at issue, which are different than those set forth above, Drops shall be entitled to use, at its discretion, such other warning text and/or method of transmission without being deemed in breach of this Agreement. If regulations or legislation are enacted providing that Proposition 65 warnings as to THC in this product are no longer required, a lack of warning by Drops will not thereafter be a breach of this Agreement.

2.2 Grace Period for Existing Inventory of Covered Products

The injunctive requirements of Section 2 shall not apply to Covered Products that are already in the stream of commerce as of the Compliance Date, which Covered Products are expressly subject

to the releases provided in Section 4.1. For the avoidance of doubt, Covered Products in the stream of commerce specifically include, but are not limited to, Covered Products in the process of manufacture.

3. MONETARY SETTLEMENT TERMS

3.1 Civil Penalty Payment

Pursuant to Health and Safety Code § 25249.7(b)(2), and in settlement of all claims alleged in the Notice or referred to in this Settlement Agreement, Drops agrees to pay Two thousand dollars (\$2,000) in civil penalties. The penalty payment will be allocated in accordance with California Health and Safety Code §§ 25249.12(c)(1) & (d), with 75% of the penalty amount paid to the California Office of Environmental Health Hazard Assessment (“OEHHA”) and the remaining 25% of the penalty amount retained by EHA. Drops shall issue two separate checks, or issue two separate payments electronically, for the initial civil penalty payment to (a) “OEHHA” and (b) Environmental Health Advocates, Inc. as follows:

- One payment of \$1,500.00 to OEHHA, due thirty (30) days after the Effective Date.
- One payment of \$500.00 to EHA, due thirty (30) days after the Effective Date.

All payments owed to OEHHA (EIN: 68-0284486), pursuant to this Section shall be delivered directly to OEHHA (Memo Line "Prop 65 Penalties") at the following addresses:

For United States Postal Service Delivery:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
P.O. Box 4010
Sacramento, CA 95812-4010

For Non-United States Postal Service Delivery:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
1001 I Street
Sacramento, CA 95814

All penalty payments owed to EHA shall be sent to:

Environmental Health Advocates
225 Broadway, Suite 1900
San Diego, CA 92101

3.2 Attorney Fees and Costs

The Parties reached an accord on the compensation due to EHA and its counsel under the private attorney general doctrine and principles of contract law. Under these legal principles, Drops agrees to pay nineteen thousand dollars (\$19,000) to EHA and its counsel for all fees and costs incurred in investigating, bringing this matter to the attention of Drops, and negotiating a settlement. The nineteen thousand dollars (\$19,000) in Attorney's Fees and Costs shall be payable to Entorno Law, LLP as two payments of \$9,500.00, the first of which is due thirty (30) days after the Effective Date, and the second payment is due sixty (60) days after the Effective Date.

All payments required under this Section shall be made payable to Entorno Law, LLP and delivered to:

Isaac Fayman
Entorno Law, LLP
225 Broadway, Suite 1900
San Diego, CA 92101

Or via wire payment or other electronic payment, pursuant to instructions provided by EHA to Drops.

3.3 Tax Documentation

Drops agrees to provide a completed IRS 1099 for its payments to, and EHA agrees to provide IRS W-9 forms for, each of the payees under this Settlement Agreement. The Parties acknowledge that Drops cannot issue any settlement payments pursuant to Section 3.1 and 3.2 above until after Drops receives the requisite W-9 forms from EHA's counsel.

4. CLAIMS COVERED AND RELEASED

4.1 EHA's Release of Drops

This Settlement Agreement is a full, final, and binding resolution of all claims between EHA, on its own behalf and not on behalf of the public, and Drops for all claims that can or could have been asserted by EHA, on its own behalf, on behalf of its past and current agents, representatives, attorneys,

successors, officers, directors, shareholders, employees, agents, parent companies, subsidiaries, affiliates, divisions, and/or assigns (collectively “Releasers”), for failure to provide Proposition 65 warnings for alleged exposures to THC from use of the Covered Products and Releasers hereby release any and all such claims against Drops and each of its respective parents, subsidiaries, affiliated entities under common ownership, directors, officers, members, employees, attorneys, and any entity, including, but not limited to each entity to whom Drops directly or indirectly distributes or sells the Covered Products, including, but not limited to, its downstream distributors, wholesalers, marketplace hosts, customers, packagers, co-manufacturers, retailers (including but not limited to Klover dba Sustainable Therapeutics Company Inc.), franchisees, cooperative members and licensees (“Releasees”), from all claims for violations of Proposition 65 before the Compliance Date based on exposure to THC from use of the Covered Products.

In further consideration of the promises and agreements herein contained, EHA on its own behalf and on behalf of Releasers, and not on behalf of the public, hereby waives any and all rights it may have to institute or participate in, directly or indirectly, any form of legal action and releases all claims against Drops and Releasees including, without limitation, all actions and causes of action, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses or expenses including, but not exclusively, investigation fees, expert fees and attorney fees arising under Proposition 65 with respect to the alleged or actual failure to warn about exposures to THC required under Proposition 65 in the Covered Products manufactured, distributed, sold or offered for sale by Drops and/or Releasees, before the Compliance Date.

4.2 Drops's Release of EHA

Drops, on its own behalf and on behalf of its past and current agents, representatives, attorneys, successors, and assignees, hereby waives any and all claims against EHA and its attorneys and other representatives, for any and all actions taken or statements made by EHA and its attorneys and other representatives, whether in the course of investigating claims, otherwise seeking to enforce Proposition 65 against it in this matter, or with respect to the Covered Products.

4.3 California Civil Code Section 1542

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. EHA on behalf of itself only, on one hand, and Drops on behalf of itself only, on the other hand, acknowledge that this Settlement Agreement is expressly intended to cover and include all such claims up through the Effective Date. The Parties acknowledge that the claims released in Sections 4.1 and 4.2 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:

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.

EHA and Drops each acknowledge and understand the significance and consequences of this specific waiver of California Civil Code § 1542.

5. PUBLIC BENEFIT

It is Drops's understanding that the commitments it has agreed to herein, and actions to be taken by Drops under this Settlement Agreement confer a significant benefit to the general public, as set forth in Code of Civil Procedure § 1021.5 and Cal. Admin. Code tit. 11, § 3201. As such, it is the intent of Drops that to the extent any other private party serves a notice and/or initiates an action alleging a violation of Proposition 65 with respect to Drops's alleged failure to provide a warning concerning actual or alleged exposure to THC prior to use of the Covered Products it has manufactured, distributed, sold, or offered for sale in California, or will manufacture, distribute, sell, or offer for sale in California, such private party action would not confer a significant benefit on the general public as to those Covered Products addressed in this Settlement Agreement, provided that Drops is in material compliance with this Settlement Agreement.

6. SEVERABILITY

If, subsequent to the execution of this Settlement Agreement, any provision of this Settlement Agreement is held by a court to be unenforceable, the validity of the remaining provisions shall not be adversely affected.

7. GOVERNING LAW

The terms of this Settlement Agreement shall be governed by the laws of the State of California and apply within the State of California.

8. ENFORCEMENT

In any action to enforce the terms of this Settlement Agreement, the prevailing party shall be entitled to its reasonable attorneys' fees and costs.

9. NOTICE

Unless specified herein, all correspondence and notice required to be provided pursuant to this Settlement Agreement shall be in writing and sent by: (a) personal delivery; (b) first-class, registered or certified mail, return receipt requested; or (c) a recognized overnight courier on any Party by the other at the following addresses:

For Drops:

Maureen Bayer
Tonkon Torp LLP
1300 SW Fifth Ave. Suite 2400
Portland, OR 97201
maureen.bayer@tonkon.com

For EHA:

Noam Glick
Entorno Law, LLP
225 Broadway, Suite 1900
San Diego, CA 92101

Any Party may, from time to time, specify in writing to the other a change of address to which all notices and other communications shall be sent.

10. COUNTERPARTS; FACSIMILE SIGNATURES

This Settlement Agreement may be executed in counterparts and by facsimile or portable document format (PDF) signature, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

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

EHA and its attorneys agree to comply with the reporting form requirements referenced in California Health and Safety Code § 25249.7(f).

12. MODIFICATION

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

13. AUTHORIZATION

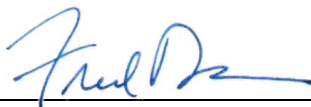
The undersigned are authorized to execute this Settlement Agreement on behalf of their respective Parties and have read, understood, and agree to all of the terms and conditions of this Settlement Agreement.

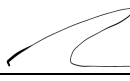
AGREED TO:

AGREED TO:

Date: 9/25/26

Date: September 24, 2026

By: 
ENVIRONMENTAL HEALTH
ADVOCATES, INC.

By: 
STUART WILSON, CEO
DROPS, LLC