

## SETTLEMENT AND RELEASE AGREEMENT

### 1. INTRODUCTION

#### 1.1. Ecological Alliance LLC and Zak Designs, Inc.

This Settlement Agreement is entered into by and between Ecological Alliance LLC ("Alliance"), on the one hand, and Zak Designs, Inc. ("Zak"), on the other hand, with Alliance and Zak collectively referred to as the "Parties."

#### 1.2. Zak Allegations

Alliance alleges that Zak manufactured and distributed and offered for sale in the State of California mugs containing Lead, and that such sales have not included warnings pursuant to the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health & Safety Code sections 25249.6 *et seq.* ("Proposition 65"). California has identified and listed Lead under Proposition 65 as a chemical known to the State of California to cause cancer, birth defects or other reproductive harm.

#### 1.3. Product Description

The products that are covered by this Settlement Agreement are specifically defined as: mugs – UPC #s 707849117158, 707849106343, 707849104790, and 707849104707, containing Lead that Zak has sold, offered for sale or distributed in California. All such items shall be referred to herein as the "Products."

#### 1.4. Notice of Violation

On January 27, 2022, Alliance served Zak, Wal-Mart Stores East, L.P., and the requisite public enforcement agencies eligible to initiate Proposition 65 actions on behalf of the People of the State of California with a documents entitled "60-Day Notice of Violation" ("Notice") that provided Zak and such public enforcers with notice that Zak was allegedly in violation of

California Health & Safety Code section 25249.6 for failing to warn consumers and customers that the Products exposed users in California to Lead. To the best of the Parties' knowledge, no public enforcer has commenced or is diligently prosecuting the allegations set forth in the Notice.

**1.5. No Admission**

The Parties enter into this Settlement Agreement to settle disputed claims between them as set forth herein and in the Notice concerning Zak's compliance with Proposition 65. Zak denies the material factual and legal allegations contained in Alliance's Notice and maintains that all products that it has manufactured for sale and distribution in California, including the Products, have been and are in compliance with Proposition 65 or any other statutory, regulatory, common law or equitable doctrine. Nothing in this Settlement Agreement shall be construed as an admission by Zak of any fact, finding, issue of law, or violation of law; nor shall compliance with this Settlement Agreement constitute or be construed as an admission by Zak of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Zak on its behalf. However, nothing in this section shall diminish or otherwise affect the obligations, responsibilities, and duties of Zak 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 fully executed.

**2. INJUNCTIVE RELIEF: REFORMULATION AND WARNINGS**

As of the Effective Date, Zak shall manufacture, import, or otherwise source for authorized sale in California only Reformulated Products, as defined pursuant to Section 2.1 below, unless such Products are labeled with a clear and reasonable Proposition 65 warning

pursuant to Section 2.2 below. Products that were supplied to third parties by Zak prior to the Effective Date shall be deemed exempted from the requirements of this Section 2 and shall be permitted to be sold through as previously manufactured, packaged and labeled.

**2.1. Reformulation Standards**

“Reformulated Products” are defined as those Products that (a) contain no more than 90 parts per million (“ppm”) lead in any decoration, colored artwork, designs, and/or marking on the surface of the Products when analyzed pursuant to U.S. Environmental Protection Agency testing methodologies 3050B or equivalent methodologies utilized by federal or state agencies for the purpose of determining lead content in a solid substance; (b) yield a result of non-detect (defined as no more than 25ppm by weight of lead) for any decorations or design located in the upper 20 millimeters of a Product, i.e., the “Lip-and-Rim” area when analyzed pursuant to EPA testing methodologies 3050B and 6010B, or equivalent methodologies used by state and federal agencies to determine lead content on a solid substance; and (c) yield no more than 1.0 microgram of lead on any surface sampled and analyzed pursuant to the NIOSH 9100 testing protocol.

**2.2. Warning Language**

Where required, Zak shall provide Proposition 65 warnings on the Product’s label as follows:

(a) Zak may use either of the following warning statements in full compliance with this Section:

(1) 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](http://www.P65Warnings.ca.gov).

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

(b) The requirements for warnings, set forth in subsection (a) above are imposed pursuant to the terms of this Settlement Agreement. The Parties recognize that these are not the exclusive methods of providing a warning under Proposition 65 and its implementing regulations.

(c) If Proposition 65 warnings for Lead should no longer be required, Zak shall have no further obligations pursuant to this Settlement Agreement.

**3. PENALTIES PURSUANT TO HEALTH & SAFETY CODE SECTION 25249.7(b)**

In settlement of all the claims referred to in this Settlement Agreement and because it previously began to implement Proposition 65 warnings for the Products, Zak shall pay a total of \$200 in civil penalties in accordance with this Section. The penalty payment will be allocated in accordance with California Health & Safety Code section 25249.12(c)(1) & (d), with 75% of the funds remitted to the California Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the penalty remitted to Alliance. Alliance's counsel shall be responsible for delivering OEHHA's portion of any penalty payment made under this Settlement Agreement.

**4. REIMBURSEMENT OF FEES AND COSTS**

The Parties reached an accord on the compensation due to Alliance and its counsel under the private attorney Zak doctrine and principles of contract law. Under these legal principles, Zak shall reimburse Alliance's counsel for fees and costs, incurred as a result of investigating and

bringing this matter to Zak's attention. Zak shall pay Alliance's counsel \$11,000 for all attorneys' fees, expert and investigation fees, and related costs associated with this matter and the Notice.

**5. PAYMENT INFORMATION**

By June 24, 2022, Zak shall make a total payment of Eleven Thousand Two Hundred Dollars (\$11,200) for the civil penalties and attorney's fees / costs by wire transfer to Plaintiff's counsel Custodio & Dubey LLP:

Bank: Bank of America, N.A.

Routing No.: 026009593

Account No.: 325149324377

Beneficiary: Custodio & Dubey LLP

Other than this payment, each side is to bear its own attorneys' fees and costs.

**6. RELEASE OF ALL CLAIMS**

**6.1. Release of Zak, Downstream Customers and Upstream Vendors**

In further consideration of the promises and agreements herein contained, and for the payments to be made pursuant to Sections 3 and 4 above, Alliance, on behalf of itself, its past and current agents, representatives, attorneys, successors and/or assignees, hereby waives all rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims relating to the Products, including, without limitation, all actions, and causes of action, in law or in equity, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses or expenses (including, but not limited to, investigation fees, expert fees and attorneys' fees) of any nature whatsoever, whether known or unknown, fixed or contingent (collectively "Claims"), against (a) Zak, (b) each of Zak's downstream distributors, its affiliates, subsidiaries, and their respective officers, directors, attorneys, representatives, shareholders, agents, and employees"),

wholesalers, vendors, licensors, licensees, auctioneers, retailers (including but not limited to **Walmart Inc.**, Wal-Mart Stores East, L.P., and their parents, subsidiaries, and affiliated entities), franchisees, dealers, shareholders, cooperative members, customers, owners, purchasers, users, and (c) Zak's parent companies, corporate affiliates, subsidiaries, and their respective officers, directors, attorneys, representatives, shareholders, agents, and employees, and sister and parent entities (collectively "Releasees").

Alliance also, on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees and *not* in its representative capacity, provides a Zak release herein which shall be effective as a full and final accord and satisfaction, as a bar to all actions, causes of action, obligations, costs, expenses, attorneys' fees, damages, losses, claims, liabilities and demands of any nature, character or kind, known or unknown, suspected or unsuspected, against Zak and the Releasees. Alliance acknowledges that it is familiar with California Civil Code section 1542, 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.

Alliance, in its capacity only, and on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees expressly waives and relinquishes any and all rights and benefits which it may have under, or which may be conferred on it by the provisions of California Civil Code section 1542 as well as under any other state or federal statute or common law principle of similar effect, to the fullest extent that it may lawfully waive such rights or benefits pertaining to the released matters.

**6.2. Zak's Release of Alliance**

Zak waives any and all claims against Alliance, its attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Alliance and its attorneys and other representatives, whether in the course of investigating claims or otherwise seeking enforcement of Proposition 65 against it in this matter, and/or with respect to the Products.

**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. In the event that Proposition 65 is repealed or is otherwise rendered inapplicable by reason of law generally, or as to the Products, then Zak shall have no further obligations pursuant to this Settlement Agreement.

**8. NOTICES**

Unless specified herein, all correspondence and notices required to be provided pursuant to this Settlement Agreement shall be in writing and personally delivered or sent by: (i) first-class, (registered or certified mail) return receipt requested; or (ii) overnight courier on any party by the other party at the following addresses:

For Zak: Zak Designs, Inc.  
Attn: Scott D. Meyer  
PO Box 19188  
Spokane, WA 99219

For Alliance: Vineet Dubey, Esq.  
Custodio & Dubey LLP  
445 S. Figueroa St., Suite 2520  
Los Angeles, CA 90071

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

9. **COUNTERPARTS; FACSIMILE/E-SIGNATURES**

This Settlement Agreement may be executed in counterparts and by facsimile or e-signatures, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

10. **COMPLIANCE WITH HEALTH & SAFETY CODE SECTION 25249.7(f)**

Alliance agrees to comply with the reporting form requirements referenced in California Health & Safety Code § 25249.7(f).

11. **ENTIRE AGREEMENT**

This Settlement Agreement contains the sole and entire agreement and understanding of the Parties with respect to the entire subject matter hereof, and all related prior discussions, negotiations, commitments and understandings. No other agreements, oral or otherwise, exist to bind either of the Parties.

12. **MODIFICATION**

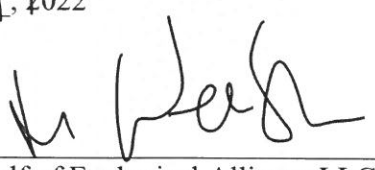
This Settlement Agreement may be modified only by a written agreement signed by the Parties.

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.



<p style="text-align: center;"><b>AGREED TO:</b></p> <p>Date: June __, 2022</p> <p>By: _____ On Behalf of Ecological Alliance LLC</p>	<p style="text-align: center;"><b>AGREED TO:</b></p> <p>Date: June <u>10</u>, 2022</p> <p>By: <u>Scott D Meyer</u> On Behalf of Zak Designs, Inc.</p>
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<p style="text-align: center;"><b>AGREED TO:</b></p> <p>Date: June <u>1</u>, 2022</p> <p>By:  On Behalf of Ecological Alliance LLC</p>	<p style="text-align: center;"><b>AGREED TO:</b></p> <p>Date: June __, 2022</p> <p>By: _____ On Behalf of Zak Designs, Inc.</p>
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