

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between Blue Sky Forever (“BSF”), on the one hand, and American Rag Cie, LLC (“American Rag”), on the other hand, with BSF and American Rag each individually referred to as a “Party” and collectively as the “Parties.” BSF is a California-based non-profit organization proceeding in the public interest pursuant to California Health & Safety Code § 25249.7(d) to ensure that chemicals known to the State of California to cause cancer, birth defects or other reproductive harm are disclosed in or eliminated from consumer products sold in California. American Rag 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

BSF alleges that American Rag manufactures, sells, and/or distributes for sale in California, brass hooks that contain lead and that it does so without first providing the health hazard warning required by Proposition 65. Lead is listed pursuant to Proposition 65 as a chemical known to cause cancer, developmental toxicity, and reproductive toxicity.

1.3 Product Description

The products covered by this Settlement Agreement are defined as brass hooks (“Covered Products”) that are manufactured, sold and/or distributed for sale in California by American Rag including but not limited to the (1) Gloria Brass Giraffe Hooks, (2) Chewy Crocodile Hooks, (3) Ella Octopus Hooks, (4) Handmade Brass Flora Ginko Leaf Hooks, (5) Holly Owl Hooks, (6) Queen Bee Hooks, (7) Dakota Cobra Hooks, and (8) Ava Blossom Hooks.

1.4 Notice of Violation

On July 3, 2025, BSF served American Rag, the California Attorney General, and the requisite public enforcement agencies with a 60-Day Notice of Violation. The Notice alleged that American Rag had violated Proposition 65 by failing to sufficiently warn consumers in California

of the health hazards associated with exposures to lead 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

American Rag 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. Nothing in this Settlement Agreement shall be construed as an admission by American Rag 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 American Rag of any fact, finding, conclusion, issue of law or violation of law, such being specifically denied by American Rag. This Section shall not, however, diminish or otherwise affect American Rag'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.


2. INJUNCTIVE RELIEF

2.1 General Warning Requirements

Commencing on the Effective Date, American Rag agrees any Covered Product sold in California, shall contain a "clear and reasonable" Proposition 65 warning, within the meaning of Section 25249.6 of the Act. American Rag 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)); (3) A warning directly affixed to the product's label or tag; or (4) A short-form warning on the label that complies with the content requirements set forth in §§ 25603(b) and 25603(a). Specifically, pursuant to § 25603(a) – (d), one of the following statements must be utilized:

- 1)  “WARNING:” [or] “CA WARNING:” [or] “CALIFORNIA WARNING:” 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.


OR

SHORT FORM

- 2)  “WARNING:” [or] “CA WARNING:” [or] “CALIFORNIA WARNING:” Risk of cancer and reproductive harm from exposure to lead. See www.P65Warnings.ca.gov.


OR

SHORT FORM

- 3)  “WARNING:” [or] “CA WARNING:” [or] “CALIFORNIA WARNING:” Can expose you to lead, a carcinogen and reproductive toxicant. See www.P65Warnings.ca.gov.

OR

**SHORT FORM ON A
PRODUCT
MANUFACTURED/
LABELED PRIOR TO
1/1/28, REGARDLESS
OF DATE OF SALE**

- 4)  **WARNING:** Cancer and Reproductive Harm—
www.P65Warnings.ca.gov.

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.” A short-form warning must be provided on a product in a type size that complies with Cal. Code Regs Tit. 27, § 25601(c). 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 American Rag where Covered Products are sold into California. In addition, American Rag 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 American Rag to provide a warning for Covered Products that entered the stream of commerce prior to the Effective Date, and the Section 4 release applies to all such Covered Products.

2.2 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, BSF shall not unreasonably withhold agreement to American Rag's request for modification of this Settlement Agreement pursuant to Section 12 to use such other warning text and/or method of transmission. Similarly, if regulations or legislation are enacted providing that Proposition 65 warnings as to lead in this product are no longer required, BSF shall not unreasonably withhold agreement to American Rag's request for modification of this Settlement Agreement pursuant to Section 12 to modify the obligation to provide warnings pursuant to Section 2.

2.3 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 Effective 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 Notices or referred to in this Settlement Agreement, American Rag agrees to pay five hundred dollars (\$500.00) 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 and equally split by EHA and BSF. American Rag shall issue two separate checks for the initial civil penalty payment to (a) "OEHHA" and (b) "Seven Hills LLP in trust for Blue Sky Forever" as follows:

- One payment of \$375.00 to OEHHA, due thirty (30) days after the Effective Date.
- One payment of \$125.00 to Seven Hills LLP in trust for Blue Sky Forever, 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 BSF shall be sent to:

Seven Hills LLP
Attn: Laralei Paras
1 Embarcadero Center, Suite 1200
San Francisco, CA 94111

3.2 Attorney Fees and Costs

The Parties reached an accord on the compensation due to BSF and its counsel under the private attorney general doctrine and principles of contract law. Under these legal principles, American Rag agrees to pay fifteen thousand dollars (\$14,250.00) to BSF and its counsel for all fees and costs incurred in investigating, bringing this matter to the attention of American Rag, and negotiating a settlement.

The fifteen thousand dollars (\$14,250.00) in Attorney's Fees and Costs shall be payable to Seven Hills LLP as one payment of \$14,250.00, which shall be delivered to:

Seven Hills LLP
Attn: Laralei Paras
1 Embarcadero Center, Suite 1200
San Francisco, CA 94111

3.3 Tax Documentation

American Rag agrees to provide a completed IRS 1099 for its payments to, and BSF agrees to provide IRS W-9 forms for, each of the payees under this Settlement Agreement. The Parties acknowledge that American Rag cannot issue any settlement payments pursuant to

Section 3.1 and 3.2 above until after American Rag receives the requisite W-9 forms from BSF's counsel.

4. CLAIMS COVERED AND RELEASED

4.1 BSF's Release of American Rag

This Settlement Agreement is a full, final, and binding resolution of all claims between BSF, on its own behalf and not on behalf of the public, and American Rag for all claims that can or could have been asserted by BSF, on its own behalf, on behalf of their past and current agents, representatives, attorneys, attorney's investigators, successors and assignees, against American Rag 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 American Rag directly or indirectly distributes or sells the Covered Products, including, but not limited to, its downstream distributors, wholesalers, customers, retailers (including but not limited to Industries Werts, Inc.), franchisees, cooperative members and licensees ("Releasees"), based on the failure to warn under Proposition 65 about exposures to lead in the Covered Products manufactured, sold or distributed for sale in California by American Rag before the Effective Date, as alleged in the Notice.

In further consideration of the promises and agreements herein contained, BSF on its own behalf and not on behalf of the public, on behalf of its past and current agents, representatives, attorneys, successors and assignees hereby waives any and all rights they may have to institute or participate in, directly or indirectly, any form of legal action and releases all claims against American Rag 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 required under Proposition 65 about exposures to Lead in the Covered Products manufactured, distributed, sold or offered for sale by American Rag, before the Effective Date.

The Parties further understand and agree that this Section 4.1 release shall not extend to Releasees who have been instructed by American Rag pursuant to Section 2.1 to provide a warning on Products that are not Reformulated Products and have failed to do so.

4.2 American Rag's Release of BSF

American Rag, 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 BSF and its attorneys, attorneys' investigators and other representatives, for any and all actions taken or statements made by BSF and their attorneys, attorneys' investigators 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. BSF on behalf of itself only, on one hand, and American Rag 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 with the exception of Releasees who have been instructed by American Rag pursuant to Section 2.1 to provide a warning and failed to do so. 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.

BSF and American Rag each acknowledge and understand the significance and consequences of this specific waiver of California Civil Code § 1542.

5. PUBLIC BENEFIT

It is American Rag's understanding that the commitments it has agreed to herein, and

actions to be taken by American Rag 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 American Rag 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 American Rag's alleged failure to provide a warning concerning actual or alleged exposure to 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 American Rag 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 American Rag::

Mark Werts, CEO
American Rag Cie, LLC
160 S. La Brea Avenue
Los Angeles, CA 90036

For BSF:

Laralei Paras, Partner
Seven Hills LLP
1 Embarcadero Center, Suite 1200
San Francisco, CA 9411

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 OR PDF 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)

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

12. MODIFICATION

This Agreement may be modified only by a 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:

Date: 11/25/2025

By: 
BLUE SKY FOREVER

AGREED TO:

Date: 11/23/25

By:  Mark Werts
AMERICAN RAG CIE, LLC