

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between Dennis Johnson (“Johnson”) and Blue Sky Clayworks, Inc. (“Blue Sky”), with Johnson and Blue Sky each individually referred to as a “Party” and collectively as the “Parties.” Johnson is an individual residing in the State of California who seeks to promote awareness of exposures to toxic chemicals and to improve human health by reducing or eliminating hazardous substances used in consumer products. Johnson alleges that Blue Sky 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 section 25249.6 *et seq.* (“Proposition 65”).

1.2 General Allegations

Johnson alleges that Blue Sky manufactures, sells, and/or distributes for sale in California, mugs with exterior designs containing lead. Lead is listed pursuant to Proposition 65 as a chemical known to cause birth defects or other reproductive harm. Johnson alleges that Blue Sky failed to provide the health hazard warning required by Proposition 65 for exposures to lead. Blue Sky Denies these allegations.

1.3 Product Description

The products covered by this Settlement Agreement are specifically defined as, and limited to, *HoHoHo Woof Mug And Ornament Set; UPC: 8 09663 75335 9*, that are manufactured, sold, or distributed for sale in California by Blue Sky (hereinafter referred to as “Products”).

1.4 Notice of Violation

On or about February 17, 2026, Johnson served Blue Sky, Nordstrom, Inc., and the requisite public enforcement agencies with a 60-Day Notice of Violation, alleging that the notice recipients violated Proposition 65 by failing to warn customers and

consumers in California of the health hazards associated with exposures to lead from the Products. To the best of the Parties' knowledge, no public enforcer has commenced and is diligently prosecuting the allegations set forth in the Notice.

1.5 No Admission

Blue Sky denies the material, factual, and legal allegations contained in the Notice and maintains that all of the products that it has sold and/or distributed in California, including the Products, have been, and are, in compliance with all laws. Nothing in this Settlement Agreement shall be construed as an admission by Blue Sky 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 Blue Sky of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Blue Sky. This Section shall not, however, diminish or otherwise affect Blue Sky'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 the Agreement is executed by both Parties, and both Parties have notice thereof. The "Compliance Date" shall be thirty (30) days after the Effective Date.

2. INJUNCTIVE RELIEF

2.1 Reformulation/Warning Commitment

As of the Compliance Date, Blue Sky shall not manufacture, import, distribute, sell or offer the Products for sale in the State of California unless: (i) the Products are Reformulated Products pursuant to Section 2.2; or (ii) Blue Sky provides a clear and reasonable warning pursuant to Section 2.3. The Parties agree and intend that Blue Sky's compliance with the terms of this Settlement Agreement shall constitute its compliance with Proposition 65 with respect to exposures to lead from the Products. The injunctive relief requirements of Section 2 shall not apply to Products in the stream of commerce or in Blue Sky's inventory prior to the Compliance Date and are expressly subject to the

releases provided in Section 4, as they have been included in the calculation of civil penalties due pursuant to Section 3.

2.2 Reformulated Products.

“Reformulated Products” are defined as those Products that: (a) yield no more than 1.0 microgram of lead on any representative surface sampled and analyzed pursuant to the NIOSH 9100 testing protocol; and (b) yield a result of non-detect (defined as no more than 25 ppm by weight of lead) for any decorations 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 in a solid substance.

2.3 Warnings.

To the extent that Products manufactured, imported, or distributed by Blue Sky after the Compliance Date do not meet the standard for Reformulated Products, a clear and reasonable warning shall be provided, as set forth herein, for Products that are sold or offered for sale to consumers in California.

2.3.1 Warning Content. For purposes of this Settlement Agreement, the parties agree that a clear and reasonable warning shall consist of one of the following warning statements:

 **WARNING:** Risk of cancer and reproductive harm from exposure to lead and lead compounds. See www.P65Warnings.ca.gov

OR

 **WARNING:** Can expose you to lead and lead compounds, a carcinogen and reproductive toxicant. See www.P65Warnings.ca.gov

OR

 **WARNING:** This product can expose you to chemicals including lead and lead compounds, which 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

For Products manufactured and labeled before January 1, 2028, if Blue Sky elects to use a short-form warning, it may use the following language:

 **WARNING:** Cancer and reproductive harm – www.P65Warnings.ca.gov

The above warning statements must print the word “**WARNING:**” in all capital letters and in bold font, followed by a colon. The warning symbol to the left of the word “**WARNING:**” must be a black exclamation point in a yellow equilateral triangle with a black outline, except that if the sign or label for the Products does not use the color yellow, the symbol may be in black and white. The symbol must be in a size no smaller than the height of the word “**WARNING:**”. In lieu of the word “**WARNING,**” Blue Sky may use “**CA WARNING**” or “**CALIFORNIA WARNING.**”

2.3.2 Method of Transmission

Product Labeling. Blue Sky shall affix one of the foregoing warning statements to the packaging, labeling or directly to a specific Product. The warning statement shall be affixed to the Product, Products’ packaging or labeling and placed with such conspicuousness, as compared with other words, statements, or designs as to render it likely to be read and understood by an ordinary individual under customary conditions of purchase or use. Where the short-form warning statement is provided on the label, the entire warning must be in a type size no smaller than the largest type size used for other consumer information on the product label. In no case shall the short-form warning statement appear in a type size smaller than six-point type.

Internet. In addition to the product labeling, where Blue Sky offers Products to California customers via its own proprietary internet website or any third-party website over which Blue Sky has control, Blue Sky shall provide a clear and reasonable internet web page warning to customers located in California. The warning statement shall appear either: (i) on the same web page on which a Product is displayed and/or described; (ii) on the same page as the price for the Product; or (iii) on one or

more web pages displayed to a California purchaser prior to completion of the checkout process. Alternatively, the warning statement shall be provided using a clearly marked hyperlink using the word “WARNING,” “CA WARNING,” or “CALIFORNIA WARNING” on the product display page, or by otherwise prominently displaying the warning to the purchaser prior to completing the purchase. If the product label warning is provided using the short-form warning statement, the warning provided on the website may use the same content. A warning is not prominently displayed if the purchaser must search for it in the general content of the website. Where Blue Sky does not have control over the content of known third-party internet sellers, Blue Sky shall provide such sellers with written notice, in accordance with Title 27, California Code of Regulation, Section 25600.2, of their warning obligations. Third-party internet sellers who receive notice pursuant to Section 25600.2 and fail to provide a clear and reasonable Proposition 65 warning pursuant to this section, shall not be deemed in compliance with this Settlement Agreement and shall not receive any benefit or protection afforded hereunder.

Catalog. In addition to the product labeling, if Blue Sky sells Products via its own proprietary catalog or any third-party catalogue over which Blue Sky has control, to customers located in California, one of the foregoing warnings statements must also be provided in the catalog in a manner that clearly associates it with the *specific* item being purchased. The catalog warning statement shall be placed with such conspicuousness, as compared with other words, statements, or designs as to render it likely to be read and understood by an ordinary individual under customary conditions of purchase. If a short-form warning is being provided on the label, the warning provided in the catalog may use the same content. Where Blue Sky does not have control over the content of known third-party catalog sellers, Blue Sky shall provide such sellers with written notice, in accordance with Title 27, California Code of Regulation, Section 25600.2, of their warning obligations. Third-party catalog sellers who receive notice pursuant to Section 25600.2 and fail to provide a clear and reasonable Proposition 65

warning pursuant to this section, shall not be deemed in compliance with this Settlement Agreement and shall not receive any benefit or protection afforded hereunder.

Languages. Where a label or tag used to provide a warning statement 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.

2.3.3 Safe Harbor Warnings. The Parties acknowledge that the warnings required by this section are not the exclusive methods of providing Proposition 65 warnings and agree that Blue Sky may utilize “safe harbor” warning language and methods promulgated by the Office of Environmental Health Hazard Assessment and contained in 27 CCR §§ 25602-25603, applicable to lead and the Products, in effect on or after the Effective Date, without being deemed in breach of this Settlement Agreement.

2.3.4 Correction Notice. In the event that Blue Sky is allegedly not in compliance with this Agreement within six (6) months of the Effective Date, Johnson shall provide Blue Sky with written notice of non-compliance (the “Compliance Notice”) before he may issue a Notice of Violation. Blue Sky, upon receiving the Compliance Notice, may bring Products into compliance or demonstrate that Products are already compliant within thirty (30) days of receipt of the Compliance Notice. If Products are brought into compliance or demonstrated to be compliant during this period, Johnson shall take no further action. After six months of the Effective Date, or in the event Blue Sky is allegedly not in compliance with this Agreement for a second time within six months of the Effective Date, Johnson shall have no obligation or duty to provide any notice of non-compliance before issuing a Notice of Violation to Blue Sky or otherwise moving to enforce this Settlement Agreement.

3. MONETARY SETTLEMENT TERMS

3.1 Civil Penalty Payment

Pursuant to Health and Safety Code section 25249.7(b)(2), and as consideration for the releases contained in Sections 4.1, 4.2, and 4.3 below, Blue Sky agrees to pay

\$800 in civil penalties no later than August 31, 2026. The penalty payment will be allocated in accordance with California Health and Safety Code section 25249.12(c)(1) & (d), with 75% of the penalty amount remitted to the California Office of Environmental Health Hazard Assessment (“OEHHA”) and the remaining 25% of the penalty amount paid to Johnson. Blue Sky will make its payment in two checks, sent to the address in Section 3.3, as follows: (1) to “OEHHA” in the amount of \$600; and (2) to “Dennis Johnson” in the amount of \$200. Johnson agrees to promptly forward OEHHA’s check to OEHHA.

3.2 Attorneys’ Fees and Costs

The Parties acknowledge that Johnson and his counsel offered to resolve this dispute without reaching terms on the amount of fees and costs to be reimbursed to his counsel, thereby leaving the issue to be resolved after the material terms of the agreement had been settled. Shortly after the other settlement terms had been reached, Blue Sky expressed a desire to resolve Johnson’s fees and costs. The Parties reached an accord on the compensation due to Johnson’s counsel under general contract principles and the private attorney general doctrine codified at Code of Civil Procedure section 1021.5 for all work performed in this matter. Under these legal principles, Blue Sky agrees to pay, in two installments, \$14,500 (\$9,200 shall be due no later than August 31, 2026, and \$5,300 shall be due no later than September 16, 2026), in the form of checks made payable to “Voorhees & Bailey, LLP,” for a portion of fees and costs incurred investigating, bringing this matter to the attention of Blue Sky’s management, and negotiating a settlement.

3.3 Payment Address and Tax Documentation

All checks under this Settlement Agreement shall be sent to the following address and shall, thereafter, be promptly delivered by Johnson to the respective payees:

Voorhees & Bailey, LLP
27 Pine Street; Suite 50
New Canaan, CT 06840

Johnson shall provide IRS W-9 forms for: (i) “Office of Environmental Health Hazard Assessment”; (ii) Dennis Johnson; and (iii) Voorhees & Bailey, LLP. The Parties acknowledge that Blue Sky cannot issue any settlement payments until after Blue Sky receives the requisite W-9 forms from Johnson.

In lieu of payment by checks, Blue Sky may make one payment of \$15,300 by wire transfer to Voorhees & Bailey, LLP’s trust account pursuant to wire instructions as provided by Voorhees & Bailey, LLP (the “Wire Payment”). Voorhees & Bailey, LLP will allocate the Wire Payment in the amounts due to OEHHA, Dennis Johnson, and Voorhees & Bailey, LLP in accordance with this Settlement Agreement.

Blue Sky shall issue complete IRS 1099 forms to each payee for their respective payment amount, including an IRS Form 1099-MISC to Johnson.

4. CLAIMS COVERED AND RELEASED

4.1 Johnson’s Release of Proposition 65 Claims

Johnson acting on his own behalf, and not on behalf of the public, releases Blue Sky, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, agents, employees, attorneys, predecessors, successors, and assigns, each of Blue Sky’s suppliers, vendors, licensors, licensees, and each entity to whom Blue Sky directly or indirectly distributes or sells Products, including, but not limited to, downstream distributors, wholesalers, customers, retailers including, but not limited to Nordstrom, Inc., franchisees, cooperative members, importers, and licensees, and each of the foregoing’s parents, subsidiaries, successors, assigns, and related and affiliate entities (collectively, “Releasees”), from all claims for violations of Proposition 65 through the Compliance Date based on unwarned exposures to lead and lead compounds in the Products.

4.2 Johnson’s Individual Release of Claims

Johnson in his individual capacity only and not in his representative capacity,

provides a 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 Johnson of any nature, character, or kind, whether known or unknown, suspected or unsuspected, arising out of alleged or actual exposures to lead and lead compounds in the Products manufactured, imported, distributed, or sold by Blue Sky prior to the Compliance Date. The Parties further understand and agree that this Section 4.2 release shall not extend upstream to any entities that manufactured the Products, or any component parts thereof, or any distributors or suppliers who sold the Products, or any component parts thereof to Blue Sky. Nothing in this Section affects Johnson's right to commence or prosecute an action under Proposition 65 against a Releasee that does not involve Blue Sky's Products.

4.3 Johnson and Counsel's Warranty Regarding Other Potential Claims

Johnson and his counsel, on behalf of themselves, counsel's law firm, and all other lawyers co-advising on this matter represent and warrant that as of Johnson's execution of this Settlement Agreement, they: (i) are unaware of any additional perceived claims against the Releasees related to the Products outside of those addressed in this Agreement; (ii) are unaware of, and have not been informed of, any other individual, plaintiff, class member, entity, or attorney that intends to bring a claim against the Releasees, including, but not limited to, any claim regarding the Releasees' products and/or any claim related to Proposition 65 other than those contained in Notices of Violation uploaded to the California Attorney General's Proposition 65 website; and (iii) have no present intention to solicit others to initiate claims against the Releasees. Johnson and his counsel further represent and warrant that they have not assigned or otherwise transferred, or attempted to assign or transfer, any claims against the Releasees.

4.4 Blue Sky's Release of Johnson

Blue Sky, on its own behalf, and on behalf of its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives any and all claims

against Johnson and his attorneys and other representatives, for any and all actions taken, or statements made by Johnson and his attorneys and other representatives, whether in the course of investigating claims, seeking to enforce Proposition 65 against it in this matter, or with respect to the Products.

4.5 California Civil Code § 1542

It is possible that other claims not known to the Parties arising out of the facts alleged in the Notices and relating to the Products will develop or be discovered. Johnson and his counsel, on behalf of themselves, counsel's law firm, and all other lawyers co-advising on this matter, on one hand, and Blue Sky, on the other hand, acknowledge that this Agreement is expressly intended to cover and include all such claims up through the Effective Date, including all rights of action thereof. The Parties acknowledge that the claims released in §§ 4.1 through 4.4 above may include unknown claims, and nevertheless waive California Civil Code § 1542 as to any such unknown claims. California Civil Code § 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.

Johnson and Blue Sky have consulted with competent counsel regarding this waiver, and each acknowledge, and understand, and accept the significance and consequences of this specific waiver of California Civil Code § 1542.

5. SEVERABILITY

If, subsequent to the execution of this Settlement Agreement, any provision of this Settlement Agreement is deemed by a court to be unenforceable, the validity of the remaining provisions shall not be adversely affected; provided, however, that if the unenforceable provision is material to this Settlement Agreement, the Parties shall in good faith negotiate a lawful and enforceable provision that most closely reflects the

Parties' original intent, and if they are unable to do so, either Party may terminate this Settlement Agreement upon written notice.

6. 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 Blue Sky may provide written notice to Johnson of any asserted change in the law and shall have no further injunctive obligations pursuant to this Settlement Agreement with respect to, and to the extent that, the Products are so affected.

7. 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 Blue Sky:

Sherry E. Jackman
Sedina L. Banks
GREENBERG GLUSKER LLP
2049 Century Park East, Suite 2600
Los Angeles, CA 90067

For Johnson:

Dennis Johnson
c/o Voorhees & Bailey, LLP
Proposition 65 Coordinator
27 Pine Street; Suite 50
New Canaan, CT 06840

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.

8. 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.

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

Johnson and his attorneys agree to comply with the reporting form requirements referenced in California Health and Safety Code section 25249.7(f).

10. **MODIFICATION**

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

11. **ENTIRE AGREEMENT**

This Settlement Agreement contains the sole and entire agreement of the Parties and any and all prior negotiations and understandings related hereto shall be deemed to have been merged within it. No representations or terms of agreement other than those contained herein exist or have been made by any Party with respect to the other Party or the subject matter hereof.

12. **AUTHORIZATION**

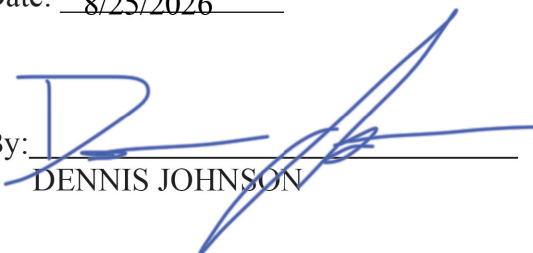
The undersigned are authorized to execute this Settlement Agreement on behalf of their respective Parties and have read, understand, and agreed to all of the terms and conditions of this Settlement Agreement.

AGREED TO:

AGREED TO:

Date: 8/25/2026

Date: 08/31/2026

By: 
DENNIS JOHNSON

By: 
Ken King
BLUE SKY CLAYWORKS, INC.