

STATE OF NORTH CAROLINA
DURHAM COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
19-CVS-2885

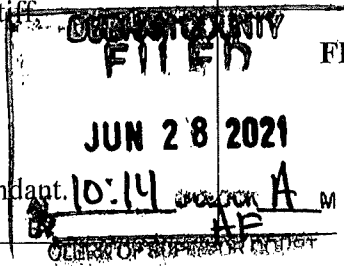
STATE OF NORTH CAROLINA, ex rel.
JOSHUA H. STEIN, Attorney General,

Plaintiff,

v.

JUUL LABS, INC.,

Defendant.



FINAL CONSENT JUDGMENT

Plaintiff, the State of North Carolina, by and through its Attorney General, Joshua H. Stein, (the "State" or "Plaintiff") has filed a Complaint for a permanent injunction, equitable monetary relief, and other relief in this matter pursuant to N.C.G.S. § 75-1.1 et seq., alleging that Defendant Juul Labs, Inc. ("JLI") violated the North Carolina Unfair or Deceptive Trade Practices Act, N.C.G.S. § 75-1.1 et seq. Plaintiff, with the advice and approval of its counsel, and JLI, with the advice and approval of its counsel, have agreed to the entry of this Final Consent Judgment ("Consent Judgment") by the Court without trial or resolution of any contested issue of fact or law, and without finding or admission of wrongdoing or liability of any kind.

IT IS HEREBY ORDERED THAT:

I. FINDINGS

1. The Parties (as defined below) agree that this Court has jurisdiction over the subject matter of this lawsuit and over the Parties with respect to this Action (as defined below) and Consent Judgment. This Consent Judgment shall not be construed or used as a waiver of any jurisdictional defense JLI may raise in any other proceeding.

2. The terms of this Consent Judgment shall be governed by the laws of the State of North Carolina.

3. Entry of this Consent Judgment is in the public interest and reflects a negotiated agreement among the Parties.

4. The Parties are willing to enter into this Consent Judgment to resolve Plaintiff's claims and JLI's defenses in the Action and thereby avoid significant expense, inconvenience, and uncertainty.

5. Pursuant to this Consent Judgment, and in consideration of the full release of claims and the other relief set forth herein, JLI will, on the terms and conditions set forth herein, among other things, commit to limits as specifically defined herein on its marketing, advertising, distribution, sale, and offering of JUUL Products (as defined below) in North Carolina and provide resources for the State to reduce and prevent underage usage of ENDS (as defined below) through cessation programs, education, research, and data collection.

6. JLI is entering into this Consent Judgment solely for the purpose of concluding this matter, and nothing contained herein may be taken as or construed to be an admission or concession of any alleged violation of law, rule, or regulation, or of any other matter of fact or law, or of any liability or wrongdoing, all of which JLI expressly denies. No part of this Consent Judgment, including its statements and commitments, shall constitute evidence of any liability, fault, or wrongdoing by JLI.

7. This Consent Judgment shall not be construed or used as a waiver or limitation of any defense otherwise available to JLI in any other matter, or of JLI's right to defend itself from, or make any arguments in, any other regulatory, governmental, private individual, or class claims, suits, or investigations relating to the subject matter or terms of this Consent Judgment.

This Consent Judgment is made without trial or resolution of any contested issue of fact or law or finding of liability. Notwithstanding the foregoing, the State may enforce the terms of this Consent Judgment.

8. No part of this Consent Judgment shall create a private cause of action or confer any right on any third party for violation of any federal or state statute except that the State may enforce the terms of this Consent Judgment. It is the intent of the Parties that this Consent Judgment shall not be binding or admissible in any other matter, including, but not limited to, any other regulatory, governmental, private individual, or class claims, suits, or investigations, other than in connection with the enforcement of the provisions of this Consent Judgment (including the Release). This Consent Judgment is not enforceable by any persons or entities besides the State, JLI, and this Court.

9. The Court approves the terms of this Consent Judgment and hereby adopts them as its own determination of this matter and the Parties' respective rights and obligations.

II. DEFINITIONS

10. For purposes of this Consent Judgment, the following terms shall have the following meanings:

- a. **"Action"** means *State of North Carolina ex rel. Joshua H. Stein v. Juul Labs, Inc.*, 19 CVS 2885 (Durham Cty. Super. Ct.).
- b. **"Advertising Channel"** means the location of the marketing or advertisement, including, but not limited to, movies, live performances, print media, radio, broadcast media, streaming media, Social Media Platforms, virtual reality platforms, internet-based chat and messaging applications, television, theatrical performances, video games, and

websites; provided that an Advertising Channel shall not include Outdoor Advertising, marketing or advertising on the property of North Carolina Retail Stores, or on JLI Owned Websites.

- c. **“Authorization Order”** means a written marketing order from the FDA authorizing a PMTA submitted by JLI or other written authorization from the FDA to JLI (including an MRTPA).
- d. **“Claims”** means any and all claims, demands, actions, suits, causes of action, damages, and liabilities and monetary impositions of any nature, as well as costs, expenses, and attorneys’ fees, whether known or unknown, suspected or unsuspected, accrued or unaccrued, whether legal, equitable, statutory, regulatory, or administrative. For the avoidance of doubt, Claims does not include allegations of criminal liability.
- e. **“Complaint”** means the complaint filed by the State in the Action.
- f. **“Confidential Personal Information”** means individual Social Security or tax identification numbers, personal financial account numbers, passport numbers, driver license numbers, home addresses, home telephone numbers, personal email addresses, other personally identifiable information protected by law from disclosure, and personally identifiable information of consumers. “Confidential Personal Information” does not include the names and business or employment contact information of officers, directors, employees, agents, or attorneys of JLI or of a government agency.
- g. **“Covered Conduct”** means any and all of the following:

- i. All conduct related to age verification, product quantity limits, nicotine content, flavors, or the size, shape, operation, or appearance of the product in the design, manufacture, marketing, advertising, product description, promotion, distribution, sale, or offer of JUUL Products.
- ii. All conduct that could have induced a person, including an Underage Individual, to use or purchase JUUL Products.
- iii. All conduct that could have allowed a person, including an Underage Individual, to use or purchase JUUL Products without allegedly adequate age verification, product quantity limits, or other age-based limitations or procedures.
- iv. Any other conduct related to the allegations by the State in the Complaint or otherwise asserted by the State in the Action that does not fall within subparagraphs (i)-(iii).
- v. All conduct that may have violated federal, state, local laws, regulations, or rules, or that could give rise to any common law cause of action, relating to the conduct described in subparagraphs (i) - (iv).
- vi. For the avoidance of doubt, Covered Conduct does not include any conduct relating to an undisclosed non-nicotine ingredient hazard in JUULpods resulting in personal injury to a consumer; any conduct giving rise to criminal, antitrust, tax-related, or state or federal securities-related violations; or any conduct after the

Effective Date other than continuing to manufacture or sell JUUL Products in a manner consistent with North Carolina law and this Consent Judgment.

- vii. As used herein, “conduct” includes, without limitation, any act, failure to act, practice, omission, statement, or representation.
- h. **“Effective Date”** means the date this Consent Judgment is entered by the Court.
- i. **“ENDS”** means electronic nicotine delivery systems.
- j. **“ENDS Cessation Programs”** means evidence-based or evidence-informed programs that provide cessation assistance to North Carolina residents who were exposed to ENDS while Underage Individuals, run by independent, third-party qualified professionals and service providers with significant experience in nicotine cessation.
- k. **“ENDS Education Programs”** means evidence-based or evidence-informed public education or prevention programs that are designed to prevent or reduce use of ENDS by Underage Individuals and are run by independent, third-party qualified professionals and service providers with significant experience in nicotine education, including but not limited to school-based, community-based, or youth-focused programs or strategies that have demonstrated effectiveness in preventing use of ENDS by Underage Individuals.
- l. **“ENDS Research”** means evidence-based or evidence-informed research in support of preventing ENDS use by Underage Individuals by

independent third parties with significant experience in nicotine research. Such research includes but is not limited to (1) monitoring, surveillance, data collection, and evaluation of ENDS Cessation Programs and ENDS Education Programs; (2) research on other efforts to prevent or deter ENDS use by Underage Individuals; and (3) qualitative and quantitative research regarding public health risks associated with the use of ENDS.

- m. **“FDA”** means the United States Food and Drug Administration.
- n. **“Federal Age-Verification Requirements”** means the requirements for verifying a purchaser’s age pursuant to 21 C.F.R. § 1140.14.
- o. **“Health Claim”** means a claim or representation about JUUL Products that suggests that JUUL Products reduce harm or a comparison between the health effects of JUUL Products and the health effects associated with commercially marketed tobacco products.
- p. **“JLI”** means Juul Labs, Inc. and its successors and assigns.
- q. **“JLI Compliance Check”** means an assessment of a North Carolina Retail Store’s compliance with (a) Federal Age-Verification Requirements or (b) product quantity limits of up to one (1) JUUL Device and sixteen (16) JUULpods, sold individually or through JUULpod Packs, per transaction, or both.
- r. **“JLI Owned Websites”** means www.juul.com, www.juullabs.com, and any other website operated by JLI under a JLI brand.
- s. **“JUUL Device”** means any ENDS device sold or marketed by JLI in the United States.

- t. **“JUULpod Packs”** means a package of JUULpods sold as one unit by JLI.
- u. **“JUULpods”** means any disposable pods prefilled with a proprietary liquid solution containing nicotine at different concentrations and different flavorings that consumers use as part of the closed-pod, liquid-based, ENDS sold by JLI in the United States.
- v. **“JUUL Products”** means any product sold by JLI in the United States, including a closed-pod, liquid-based ENDS product composed of one or all of the following components: JUUL Device, JUULpods, JUULpod Packs, and/or a charger.
- w. **“MRTPA”** means a Modified Risk Tobacco Product Application that JLI has submitted or submits to the FDA related to JUUL Products.
- x. **“North Carolina Depository”** means the depository established in Section IV.
- y. **“North Carolina Retail Store”** means a physical retail location in North Carolina that is authorized by JLI to sell JUUL Products.
- z. **“Other State”** means any of the states, commonwealths, and territories of the United States and the District of Columbia, other than North Carolina, by and through its attorney general.
- aa. **“Outdoor Advertising”** means (1) billboards, (2) signs and placards in arenas, stadiums, and shopping malls, and (3) any other advertisements placed (A) outdoors, or (B) on the inside surface of a window facing outward; provided that “Outdoor Advertising” does not mean (1) an

advertisement on the outside of a JLI facility; (2) an individual advertisement that does not occupy an area larger than 14 square feet (and that neither is placed in such proximity to any other such advertisement so as to create a single “mosaic”-type advertisement larger than 14 square feet, nor functions solely as a segment of a larger advertising unit or series), and that is placed (A) on the outside of a North Carolina Retail Store, (B) outside (but on the property of) any such store, or (C) on the inside surface of a window facing outward in any such store; or (3) an advertisement inside a North Carolina Retail Store that sells JUUL Products that is not placed on the inside surface of a window facing outward.

- bb. **“Parties”** or **“Party”** means the State and JLI, individually and collectively.
- cc. **“PMTA”** means a Premarket Tobacco Product Application that JLI has submitted or submits to the FDA related to JUUL Products.
- dd. **“Released Parties”** means (1) JLI, (2) JLI’s past and present direct or indirect parents, subsidiaries, and affiliates listed in Exhibit A, in each case including their respective predecessors, successors, and assigns, and (3) each and all of the past and present principals, partners, officers, directors, supervisors, employees, stockholders, members, insurers, attorneys, agents, contractors, representatives, and assigns of each of the persons and entities listed in (1) and (2), but only to the extent that the person or entity was acting in such capacity on behalf of JLI.

Notwithstanding the foregoing, Released Parties shall not include those individuals that have been named, as of the Effective Date, in any action brought by an Other State that also names JLI.

- ee. **“Releasers”** means the State and the Attorney General, as well as (1) any State department, agency, institution, commission, bureau, or other governmental or public entity to the full extent of the State’s and the Attorney General’s power to release Claims; (2) the successors of any of the foregoing; and (3) persons or entities acting in a *parens patriae*, sovereign, quasi-sovereign, private attorney general, qui tam, taxpayer, or other capacity seeking relief on behalf of or generally applicable to the general public with respect to the State.
- ff. **“Social Media Platform”** means an internet-based public platform through which users are able to create and/or share content that is accessible to members of the public, and includes sites such as Facebook, Instagram, Snapchat, TikTok, Twitter, Clubhouse, Pinterest, Tumblr, Google+, and YouTube.
- gg. **“Therapeutic Claim”** means a claim or representation in which JUUL Products have properties that are diagnostic, curative, mitigating, treatment-oriented, or can prevent disease (including that using JUUL Products can help the user transition off of nicotine use), including as defined in 21 U.S.C. § 321(g)(1).

- hh. **“Underage Individuals”** means North Carolina residents who are under the legal age to purchase ENDS products in North Carolina pursuant to North Carolina or federal law.
- ii. **“Verified”** means determined to be 21 years or older through the use of reliable and independent age-verification service(s) that cross-references the customer’s name, address, and date of birth against independent, competent, and reliable data sources, such as official government records. Specifically, “Verified” requires: (1)(a) that each customer submit a non-expired government identification, or (b) that the name, address, date of birth, and last four digits of the customer’s Social Security Number provided by the customer are cross-referenced against information obtained from official government records or similar independent, competent, and reliable data sources, and a phone number or other personal indicator provided by the customer is used for two-factor authentication; and (2) for the sale of JUUL Products only, that the billing address on the method of payment matches the shipping address for that order.

III. CONDUCT PROVISIONS

Promotional Activities

- 11. In connection with marketing or sales activities in North Carolina or directed at consumers in North Carolina, JLI shall not:
 - a. Use content (including but not limited to cartoons, caricatures, gifs, videos, images, vape tricks, or phrases) that, in the exercise of reasonable

diligence by JLI, is known or believed by JLI to appeal to, or to be likely to appeal to, Underage Individuals in any marketing or advertising materials for JUUL Products in North Carolina.

- b. Use marketing or advertising for JUUL Products within North Carolina that, in the exercise of reasonable diligence by JLI, is known or believed by JLI to appeal to, or to be likely to appeal to, Underage Individuals.
- c. Publish any marketing or advertising material for JUUL Products on any Social Media Platform; provided that JLI shall be permitted to use Twitter, LinkedIn, and YouTube for (i) hosting testimonial videos of the experiences of persons thirty-five (35) years of age or older who are or were habitual combustible cigarette smokers using JUUL Products, and (ii) other non-promotional communications.
- d. Retain or encourage individuals, through payment or other consideration (including non-monetary consideration or discounted or free product), to promote JUUL Products on an individual's personal account, or any account controlled in whole or in part by that individual, on any Social Media Platform.
- e. Retain or encourage individuals, through payment or other consideration (including non-monetary consideration or discounted or free product), to promote JUUL Products as "brand ambassadors," influencers, or affiliates:
 - i. On any Social Media Platform, or
 - ii. In person in North Carolina, unless the operator of the location of the in-person promotion represents to JLI that in connection with

such promotion it will undertake reasonable industry standard measures to prohibit access by Underage Individuals and JLI has a good-faith belief that the operator is adhering to such representation.

- f. Create, advertise, or market any hashtags related to any JLI brand for use on any Social Media Platform.
- g. Provide free JUUL Products to consumers residing within North Carolina.
- h. Send direct-to-consumer marketing materials for JUUL Products to any individuals residing within North Carolina who are not Verified.
- i. Include individuals residing within North Carolina who are not Verified on JLI's marketing distribution lists for JUUL Products.
- j. Use any individual under the age of thirty-five (35) in any marketing or advertising materials for JUUL Products.
- k. Market or advertise JUUL Products in Advertising Channels to consumers in North Carolina unless, according to data sources generally considered by the industry to be competent and reliable, 85% or more of the individuals comprising the audience of the Advertising Channel are not Underage Individuals. This provision does not apply to marketing or advertising on any online website that requires an individual residing in North Carolina to agree to be Verified before being able to further access the website.

12. JLI shall take reasonable efforts to monitor Social Media Platforms and third-party websites that resell JUUL Products to identify content promoting use of JUUL Products by

Underage Individuals, unauthorized sales of JUUL Products, or content that would otherwise be impermissible by JLI under the terms of this Consent Judgment, and will take reasonable steps to seek to have the content removed. The Parties agree that JLI shall be deemed to be in compliance with the foregoing sentence if it (i) engages a nationally recognized service provider to monitor Social Media Platforms and third-party websites that resell JUUL Products using the service provider's "web-scraping" or similar technology for effective monitoring, and (ii) maintains a process for diligently requesting that Social Media Platforms or owners of third-party websites that resell JUUL Products remove the content identified through such monitoring. JLI may follow any procedures that Social Media Platforms or websites have established for providing notice of the content. The Parties agree that compliance with this Paragraph does not create any liability for JLI for content posted by a third party or for the failure of a third party to remove posted content after being requested by JLI. JLI shall maintain records sufficient to document its compliance with this Paragraph.

13. JLI shall not place or cause to be placed Outdoor Advertising at any location that at the time of the placement, or renewal of the placement, of the Outdoor Advertising is within 1,000 feet of any elementary, middle, or high school or public playground in North Carolina.

14. JLI shall not place or cause to be placed any marketing or advertising materials in public transportation facilities in North Carolina, including, but not limited to, public buses or bus stations, public trains or train stations, and airports. This Paragraph shall not apply to any in-store materials at any North Carolina Retail Store located in a public transportation facility.

Sponsorships & Youth Education

15. JLI shall not sponsor any sports, entertainment (including, but not limited to, musical, artistic, social, or cultural), or charity events held in North Carolina; provided that:

- a. JLI may provide financial support to non-profit or charitable entities, and
- b. JLI may sponsor and/or provide financial support for charity events in North Carolina so long as:
 - i. JLI does not require JUUL Products branding to be displayed at the event,
 - ii. JLI does not reference the event (or any individual's involvement in such event) in any marketing or advertising activities, and
 - iii. JLI does not promote JUUL Products at the charity event and does not provide payment or consideration of any kind to any individual to promote JUUL Products at the charity event.

16. Without express prior permission from the North Carolina Attorney General's Office, JLI shall not (1) directly fund or operate any youth education campaigns or youth prevention activities in North Carolina, or (2) provide materials on youth education programs or events. For the purpose of this Paragraph, permission shall be deemed granted if the North Carolina Attorney General does not respond in writing to JLI's request for permission within thirty (30) days from the date of JLI's request.

Retail and Internet Sales

17. JLI shall not distribute, sell, offer, or otherwise provide any JUULpod in any flavor or in any nicotine concentration in North Carolina or to North Carolina Retail Stores that JLI does not distribute or sell in North Carolina as of the Effective Date unless and until JLI receives FDA authorization that permits the marketing of that JUULpod flavor or of that nicotine concentration.

18. JLI shall not sell JUUL Products to Underage Individuals in violation of federal or North Carolina law.

19. JLI shall not offer, sell, deliver, or in any manner directly provide JUUL Products to any consumers within North Carolina who are not verified in a manner consistent with North Carolina statutory requirements, which are currently set forth in N.C. Gen. Stat. § 14-313(b) – (b2).

20. In furtherance of this:

- a. For all sales of JUUL Products to consumers in North Carolina on a JLI Owned Website, no online sales shall be made to a consumer who is not Verified.
- b. For all sales of JUUL Products to North Carolina residents on a JLI Owned Website, JLI shall continue to recommend to credit card companies (through JLI's third-party payment gateways or processors) that the words "JUUL TOBACCO PRODUCT" be printed on the consumer's credit card statement.
- c. JLI shall implement a process for placing a phone call after 5:00 pm ET to consumers who purchase JUUL Products from a JLI Owned Website within the preceding 24 hours of shipment to an address within North Carolina. Such phone calls will inform the consumer of the recently placed order prior to shipping the product.

21. JLI shall limit sales to North Carolina residents of JUUL Products on a JLI Owned Website to no more than two (2) JUUL Devices per month, ten (10) JUUL Devices per

calendar year, and sixty (60) JUULpods per month, sold individually or through JUULpod Packs, for online sales.

22. Prior to distributing JUUL Products to North Carolina residents through a consumer warranty program, JLI shall first confirm that the individual requesting the warranty replacement is Verified.

23. Prior to enrolling North Carolina residents in any auto-shipment program, JLI shall first confirm that the individual to be enrolled in the auto-shipment program is Verified.

24. JLI shall continue to include serial numbers on JUUL Devices that permit North Carolina residents to report the serial number of a JUUL Device confiscated from an Underage Individual through a website, currently <https://www.juul.com/trackandtrace>. Every six (6) months, JLI shall report to the North Carolina Attorney General and the Director of Tobacco Prevention of the North Carolina Department of Health and Human Resources's Division of Mental Health any and all information from the website relating to a North Carolina Retail Store that may have permitted Underage Individuals to purchase JUUL Products.

25. Within eight (8) months of the Effective Date, JLI shall require that all North Carolina Retail Stores selling or distributing JUUL Products implement automated sales controls by adopting an age-verification compliance system at the point-of-sale that includes at least the following capabilities or components:

- a. A barcode scanner that is capable of electronically scanning a photographic and/or government-issued identification, including non-North Carolina identification, and automatically validating personal information contained in the identification.

- b. Automated verification that the customer is at least 21 years of age and the identification is not expired by electronic ID scanning or other automated, software-based measure, based on the identification presented by the customer.
- c. Requirement to visually confirm that the customer matches the individual represented on their identification.
- d. Automated blocking of any transaction where the transaction involves more than one (1) JUUL Device and/or sixteen (16) JUULpods, sold individually or through JUULpod Packs.
- e. Ability to automatically block any transaction that does not comply with (b)–(d).
- f. For the avoidance of doubt, JLI shall not use data obtained through Paragraph 25(a) and (b) for marketing or any other purpose other than age-verification.

26. Once these automatic sales controls are adopted and implemented, JLI will instruct all North Carolina Retail Stores that individual employees may not override the automatic sales controls should a transaction not comply with the requirements in Paragraph 25(b)–(d).

27. JLI shall not expressly authorize or otherwise enter into any agreement with a North Carolina Retail Store to (1) display JUUL Products in a location other than behind a counter and (2) allow individuals to access JUUL Products without the assistance of a North Carolina Retail Store employee. If the State notifies JLI or JLI Customer Service is notified in writing that a North Carolina Retail Store is engaging in any activity that JLI is not permitted to

authorize in this Paragraph, JLI will promptly take commercially reasonable steps to investigate and halt any such activity.

28. JLI shall maintain a retailer-compliance program for North Carolina Retail Stores that requires:

- a. JLI to send representatives between the ages of 21 and 27 to visit no fewer than 50 North Carolina Retail Stores per month to conduct JLI Compliance Checks. Any JLI Compliance Checks referenced in this Paragraph may be conducted by a service provider engaged by JLI.
- b. Each year, JLI will conduct JLI Compliance Checks of at least 960 North Carolina Retail Stores. The representative conducting the JLI Compliance Check shall be required to complete a standardized form documenting the transaction(s) in which he or she participated in each store, which shall note any age-verification violations, if any, including failure to properly check the representative's identification. The representative's compensation will not be dependent on the results of the retailer-compliance inspections.
- c. JLI shall implement the following penalties to North Carolina Retail Stores for violations of the JLI Compliance Checks referenced in (b) above:
 - i. First JLI Compliance Check Failure: JLI shall issue a letter notifying the North Carolina Retail Store of its first violation. The letter shall reiterate the requirements of the JLI Compliance Checks and the penalty escalation structure. For any North

Carolina Retail Store that commits a first violation, JLI shall perform a second JLI Compliance Check within sixty (60) days of the first violation, which shall be in addition to the above-stated monthly requirement of visiting at least 50 North Carolina Retail Stores.

- ii. Second JLI Compliance Check Failure: If a second violation occurs within one year of the first violation, JLI shall issue a letter notifying the North Carolina Retail Store of the second violation. JLI shall suspend (or shall instruct any wholesaler, distributor, or sub-distributor through which JLI supplies the North Carolina Retail Store to suspend) the North Carolina Retail Store from any promotional activities for two promotional cycles (an estimated loss of \$3,000 in profits) following the date of the second failed JLI Compliance Check. For any North Carolina Retail Store that commits a second violation, JLI shall perform a third JLI Compliance Check within sixty (60) days of the second violation, which shall be in addition to the above-stated monthly requirement of visiting at least 50 North Carolina Retail Stores. For any second age-verification failure, JLI shall communicate the age-verification non-compliance to the FDA.
- iii. Third JLI Compliance Check Failure: If a third violation occurs within one year of the first violation, JLI shall issue a letter notifying the North Carolina Retail Store of the third violation. JLI

shall cease doing business with the North Carolina Retail Store for three (3) years from the date of the third failed JLI Compliance Check, and notify all applicable wholesalers, distributors, and sub-distributors to suspend sales of JUUL Products to the North Carolina Retail Store for the three-year period. For any North Carolina Retail Store that commits a third violation, JLI shall perform a fourth JLI Compliance Check within sixty (60) days of the third violation, which shall be in addition to the above-stated monthly requirement of visiting at least 50 North Carolina Retail Stores. For any third age-verification failure, JLI shall communicate the age-verification non-compliance to the FDA.

iv. Fourth JLI Compliance Check Failure: If a fourth violation occurs within one year of the first violation, JLI shall cease doing business with the North Carolina Retail Store and notify all applicable wholesalers, distributors, and sub-distributors to suspend sales of JUUL Products to the North Carolina Retail Store. For any fourth age-verification failure, JLI shall communicate the age-verification non-compliance to the FDA.

v. Nothing in this Paragraph 28 requires JLI to breach any existing contractual obligations with wholesalers, distributors, or sub-distributors.

d. If (i) JLI receives information pursuant to Paragraph 24 or (ii) JLI Customer Service receives information or complaints from North Carolina

residents or others, of North Carolina Retail Stores violating the requirements of a JLI Compliance Check, JLI will conduct a JLI Compliance Check of those retail stores within 60 days.

- e. Every six (6) months, JLI shall provide the North Carolina Attorney General and the Director of Tobacco Prevention at the North Carolina Department of Health and Human Resources's Division of Mental Health with results of its JLI Compliance Checks of North Carolina Retail Stores, with the first set of results being provided six months after the Effective Date.

29. The Parties agree that JLI shall not be subject to any liability for any conduct by North Carolina Retail Stores arising out of or relating to JLI's creation and maintenance of the retailer-compliance program described in Paragraph 28.

**Health Claims, Comparisons to Traditional Cigarettes, and
Nicotine Content and Disclosures**

30. JLI shall not make any Health Claims in marketing or advertising materials in North Carolina related to JUUL Products, unless JLI receives FDA authorization that permits such claims or representations.

31. JLI shall not make any Therapeutic Claims in marketing or advertising materials in North Carolina related to JUUL Products, unless JLI receives FDA approval that permits such claims or representations.

32. JLI shall not make any claims or representations in marketing or advertising materials in North Carolina comparing the quantification of the amount of nicotine in JUUL Products to that found in combustible cigarettes or any other ENDS, unless JLI receives FDA authorization that permits such claims or representations.

33. Beginning nine (9) months from the Effective Date, if JLI makes any statement about the nicotine content of JUUL Products in its promotional materials, JLI Owned Website, or in-store retail promotions other than through the JUUL Product packaging or label, JLI shall also disclose the amount of nicotine content by weight *and* by volume, in both milligrams and by a percentage in terms of total volume of a JUULpod. The obligations under this Paragraph are no longer in effect if (1) the FDA implements a uniform nicotine content disclosure standard for all promotional advertising, in-store or online, of ENDS products or (2) JLI receives FDA authorization for JUUL Products that permits JLI to use a specific nicotine content disclosure on its label or packaging or in the promotion of its products, on its website, or in-store.

Monitoring and Compliance

34. JLI shall, after diligent inquiry, annually certify compliance with this Consent Judgment to the North Carolina Attorney General's Office.

IV. DOCUMENT DEPOSITORY

35. Documents created on or before May 14, 2019 and produced to the State by JLI shall be made available to the public in the North Carolina Depository, in the manner provided as follows:

- a. The public shall be given access to all documents contained in the North Carolina Depository. The following categories of information may be redacted from the documents in the North Carolina Depository by JLI before public disclosure; provided that documents may be withheld in their entirety from the North Carolina Depository by JLI before public disclosure if they contain only information in the following categories:

- i. Privileged information or attorney work product, as defined by North Carolina law.
- ii. Trade secret material, as defined by North Carolina law, including documents that could be used to create counterfeit or black market JUUL Products.
- iii. Confidential Tax information, as defined by North Carolina law.
- iv. Confidential Personal Information and JLI personnel files, so long as those personnel files do not contain information about any employee's Covered Conduct. For the avoidance of doubt, information related to compensation, purchase of shares, or financial details relating to company acquisition are not encompassed within the definition of Confidential Personal Information or JLI personnel files.
- v. Information that may not be disclosed under federal, state, or local law.
- vi. Information that cannot be disclosed without violating the contractual rights of third parties that JLI may not unilaterally abrogate.
- vii. Information regarding personal or professional matters unrelated to JLI or ENDS, including but not limited to emails produced from the files of JLI custodians discussing vacation or sick leave, family, or other personal matters.

- b. Within twelve (12) months of the Effective Date, JLI shall identify every document it seeks to redact or withhold and identify the category that forms the basis for redaction or withholding. JLI shall identify the first set of documents within three (3) months of the Effective Date, and continue to identify the remaining documents on the rolling basis through the end of the twelve (12) month period. Within three (3) months of JLI's identification of a document for redaction or withholding, the State shall confer with JLI about its redaction or withholding requests. The State may challenge such request on the ground that the information at issue does not fall within the categories in Paragraph 35(a)(i)-(vii) above. In the event differences remain between the Parties with regard to JLI's redaction or withholding requests, within 30 days after the deadline for the State and JLI to meet and confer, the Parties shall request that the Court appoint one or more special masters to review any disputed documents and determine whether the information that JLI requests to redact or withhold falls within the categories in Paragraph 35(a)(i)-(vii) above. The determination of the special master(s) shall be binding on the Parties. The costs and fees of the special master(s) shall be borne equally by the parties. For the avoidance of doubt, JLI's prior designation of any document under the Protective Order in this case shall not create any presumption as to the confidentiality of such document for purpose of the North Carolina Depository.
- c. Unredacted versions of documents redacted in accordance with Paragraph 35(a) above shall be returned to JLI by the State as soon as practicable

after JLI produces a redacted copy of the document. The State shall retain the Bates stamp numbers of all documents produced to the State.

- d. JLI's inadvertent failure to redact or withhold a document under Paragraph 35(a) shall not constitute a waiver of any confidentiality rights that JLI has under this Paragraph, nor shall it prevent JLI from later redacting or withholding the document, or requesting that the State return the inadvertently produced copy of the document.

36. The North Carolina Depository shall be maintained and operated by a North Carolina public university to be chosen by the State. The State shall notify JLI of the university that is chosen.

37. There shall be no prohibition on the use of the North Carolina Depository for conducting research or to develop and collect data on ENDS usage.

38. The State will cause the North Carolina Depository to be made available to the public on or after July 1, 2022. Should the State close the North Carolina Depository, the documents from the North Carolina Depository shall be transferred to the State archives or other appropriate state body, where they shall remain available for historical and research purposes.

V. MONETARY PAYMENT

39. JLI shall pay a total sum of \$40,000,000 to the State, subject to the following terms and conditions:

- a. JLI shall pay \$40,000,000 over six years as follows:
 - i. JLI shall make the first payment of \$13,000,000 within thirty (30) days of the Effective Date.

- ii. JLI shall make the second payment of \$8,000,000 by one year after the Effective Date.
 - iii. JLI shall make the third payment of \$7,500,000 by two years after the Effective Date.
 - iv. JLI shall make the fourth payment of \$7,000,000 by three years after the Effective Date.
 - v. JLI shall make the fifth payment of \$2,250,000 by four years after the Effective Date.
 - vi. JLI shall make the sixth payment of \$2,250,000 by five years after the Effective Date.
- b. It is the intent of the State and JLI that the \$40,000,000.00 payment be used, to the maximum extent practicable, to fund ENDS Cessation Programs, ENDS Prevention Programs, ENDS Research, and the North Carolina Depository, and to cover the costs of litigation of the Attorney General's Office.
- c. The ENDS Cessation Programs, ENDS Education Programs, and ENDS Research funded pursuant to this Consent Judgment may not use any of the funding provided under this Consent Judgment directly or indirectly to disparage, or to support any Claims by any person or entity against, JLI, any Released Party, or other person or entity associated with JLI, including by using the funding to replace other funds reallocated to such uses.
- d. After the fourth payment, JLI may apply for a waiver of the fifth and sixth payments by showing that its compliance with the terms of this Consent

Judgment and the programs funded through the payments required under Paragraph 39 and / or other actions have substantially contributed to a significant decline in usage of JUUL Products by Underage Individuals. The North Carolina Attorney General and North Carolina Department of Health and Human Services, using evidence-based and reasonable standards, will, in their sole discretion, exercise their good faith judgment on whether to grant the waiver based on their assessment of the progress towards Vision 2020 – North Carolina’s Strategic Plan to Reduce the Health and Economic Burdens of Tobacco Use.

40. For the avoidance of doubt, JLI shall have no obligation to fund ENDS Cessation Programs, ENDS Education Programs, ENDS Research, or the North Carolina Depository beyond making the payments described in Paragraph 39.

VI. NOTICE

41. All notices required to be provided to a Party shall be sent electronically and by first class mail, postage pre-paid, as follows, unless a Party gives notice of a change to the other Party:

a. For JLI:

Tyler Mace
Chief Legal Officer
Juul Labs, Inc.
1000 F Street
Washington, D.C. 20004
tyler.mace@juul.com

With a copy to:

JB Kelly
Cozen O’Connor
1200 19th Street, NW

Washington, D.C. 20036
jbkelly@cozen.com

b. For State:

Kevin Anderson
Senior Deputy Attorney General
Director, Consumer Protection Division
North Carolina Department of Justice
Post Office Box 629
Raleigh, N.C. 27602
kander@ncdoj.gov

VII. ENFORCEMENT

42. For the purposes of resolving disputes with respect to compliance with Section III of this Consent Judgment, should the State have a reasonable basis to believe that JLI has engaged in a practice that may have violated the terms of this Consent Judgment, the State shall notify JLI in writing of the specific objection, and identify with particularity the provision of this Consent Judgment that the practice appears to violate, and state with particularity the State's bases for believing a violation has occurred. The Parties agree to confer in good faith regarding the alleged violation and, absent exigent circumstances necessitating expedited action in less time, JLI shall have a reasonable period of not less than twenty-one (21) days to provide a written response to the State and/or a proposed resolution to cure the alleged violation. The State may then accept the explanation and/or proposed resolution, or may take action to enforce the terms of this Consent Judgment (which, for the avoidance of doubt, shall remain in full force and effect). The State shall not unreasonably withhold a determination that JLI has cured the alleged violation.

43. Notwithstanding Paragraph 42, the State may take any action if it reasonably determines that, because of the specific practice, a threat to the health or safety of the public requires immediate action.

VIII. RELEASE

44. Releasors hereby release and forever discharge the Released Parties from any and all Claims that the State or any other Releasor has or could have asserted based on, arising out of, or in any way related to, the Covered Conduct prior to the Effective Date, including, without limitation, any and all Claims that the State has or could have asserted in the Action (“Released Claims”); provided, however, that the Released Claims shall not include any Claims to enforce the terms of this Consent Judgment.

45. The release in Paragraph 44 is intended by the Parties to be broad and shall be interpreted so as to give the Released Parties the broadest possible bar against any liability relating in any way to Released Claims and extend to the full extent of the power of the State and the Attorney General to release claims. This Consent Judgment shall be a complete bar to any Released Claims.

46. Notwithstanding any term of this Consent Judgment, any and all of the following forms of liability are specifically reserved and not released under Paragraph 44:

- a. Any criminal liability.
- b. Any Claims by any Releasor as an investor for liability for state or federal securities violations.
- c. Any liability for state or federal tax violations.
- d. Any Claims (1) for conduct after the Effective Date, other than continuing to sell JUUL Products in a manner consistent with North Carolina law and this Consent Judgment, (2) for conduct that is not Covered Conduct, or (3) against any parties who are not Released Parties.

IX. FINAL JUDGMENT

47. Final judgment is hereby entered on all claims in the Action.

48. All motions in the Action not subject to a previously entered written order are hereby deemed withdrawn.

49. Each Party shall bear its own costs except as expressly set forth herein.

X. MOST-FAVORED NATION PROVISION

50. If, after the Effective Date but before March 31, 2025, JLI enters into any pre-trial and pre-judgment settlement or consent judgment with one or more Other States that resolves claims similar to the claims filed in the Action on overall terms that are more favorable to such Other State(s) than the overall terms of this Consent Judgment, then the State may elect to seek review of the overall payment terms or terms in Section III of this Consent Judgment so that the State may obtain from JLI overall terms as favorable as those obtained by the Other State(s).

“Overall terms” refers to consideration of all terms of a settlement or consent judgment, taken together, including both monetary and conduct terms. Any terms will be compared based on the proportion of the population, as of the Effective Date, of North Carolina to the total population of the Other State(s) or Other States participating in the subsequent settlement or consent judgment. JLI shall provide the State with a copy of any pre-trial and prejudgment settlement or consent judgment with an Other State entered prior to March 31, 2025 within thirty (30) days of the effective date of such settlement or consent judgment.

51. In the event that the State believes that the overall terms of a settlement or consent judgment between JLI and one or more Other States covered by this Section X are more favorable to the Other State(s) than the overall terms of this Consent Judgment, the State and JLI shall engage in the following process:

- a. The State shall provide notice to JLI of its intent to seek revision of the payment terms or the terms in Section III of this Consent Judgment. To the extent permissible under North Carolina law, such notice shall be confidential and not disclosed publicly. The notice shall state, in detail, the basis for the State's belief that it is entitled to revision of the Consent Judgment.
- b. JLI shall, within thirty (30) days, provide a response to the State, explaining its position, in detail, as to whether the State is entitled to more favorable overall terms after which the State and JLI shall meet and confer over a period of thirty (30) days in good faith regarding their respective positions with the goal of reaching agreement and avoiding further dispute.
- c. In the event the State and JLI do not reach agreement as to the application of Paragraph 50, the State will file a motion with this Court seeking to modify the payment terms or terms in Section III of this Consent Judgment under North Carolina law to reflect the application of this Paragraph. The Court shall consider submissions and arguments by the Parties.
- d. If this Court finds that the State has demonstrated that the settlement or consent judgment with one or more Other States contains overall terms more favorable to the Other State(s) than the terms of this Consent Judgment, this Court may revise the payment terms or terms in Section III of this Consent Judgment so that the State obtains overall terms similar to

those entered by JLI with the Other State(s). Such revision will include any terms of the settlement or consent judgment with the Other State(s) that are less favorable to the Other State(s) than the terms of this Consent Judgment, including (in the case of payment terms that are less favorable to the Other State(s)) the reduction in any remaining payments due under this Consent Judgment. Any such decision of this Court shall be subject to appeal to the extent permitted by North Carolina law.

- e. This Section X shall not apply to and the Consent Judgment shall not be revised based on (1) a settlement or consent judgment by an Other State with JLI that is after March 31, 2025; (2) a settlement or consent judgment by an Other State with JLI that is entered after (i) the impaneling of a jury (or, in the event of a non-jury trial, the commencement of trial) in litigation between such Other State and JLI, or (ii) any court order in such litigation that grants judgment as to liability against JLI (in whole or part); (3) terms in a settlement or consent judgment by an Other State with JLI that resolve or are based on claims that are not related to Covered Conduct; or (4) terms in a settlement or consent judgment by an Other State with JLI that resolve or are based on statutory claims or remedies not available to the State.

XI. MISCELLANEOUS

52. The State has raised concerns based on scientific and academic studies identifying certain determinants of youth vaping appeal and nicotine dependence, including flavors other than tobacco, nicotine concentration, and youth-appealing marketing techniques. JLI is

committed to a science and evidence-based process to combat underage use and supports further research aimed at advancing science-based interventions regarding underage use of nicotine products. Accordingly, JLI will use best efforts to cooperate with the State and other leading ENDS companies: (a) to develop, with the assistance of independent, third-party research, appropriate industry practices to address and mitigate any determinant effect to youth vaping appeal and resulting nicotine dependence in North Carolina, including but not limited to industry-wide agreement to conduct provisions of this Consent Judgment; and (b) to develop a process for, and to participate as part of, industry implementation of such appropriate practices.

53. Term: The term of Section III shall be as follows:

- a. The provisions of Paragraphs 11(a), 11(b), 17-19, 30-32 shall not expire.
- b. The remaining provisions of Section III of this Consent Judgment shall expire March 31, 2027 except that such provisions shall be superseded by an Authorization Order to the extent conduct by JLI that reasonably implements such Authorization Order conflicts with the requirements of any such provisions of Section III. Within 30 days, or such other time as the Parties may mutually agree, after FDA's issuance of an Authorization Order, the Parties shall meet and confer regarding the scope of the Authorization Order and JLI's plans to implement it.
- c. In interpreting and enforcing those provisions of Section III of this Consent Judgment that remain in place following an Authorization Order, the State will not take the position that any generally applicable North Carolina or federal law or regulation requires conduct by JLI different

than the conduct the State requires from any other manufacturer or seller of ENDS products.

54.- Denial and No Admission: JLI denies it and/or its employees, officers, directors, subsidiaries, founders, and/or owners have violated any statute, regulation, decision, or other source of law in connection with the Covered Conduct. The Parties are entering into this Consent Judgment for the purpose of compromising and to avoid the time, expense, burden, and uncertainty associated with continuing litigation, and to address the State's concerns with JLI's historical business practices with respect to JUUL Products. It is expressly agreed that this Consent Judgment is not admissible in any proceeding (except in a dispute between the State and JLI regarding compliance with the Judgment), and it is also expressly agreed and understood that nothing contained in this Consent Judgment may be taken as or construed to be an admission or concession of any liability, wrongdoing, or violation of any source of law, or of any other matter of fact or law. This Consent Judgment is not intended to be used or admissible in any unrelated administrative, civil, or criminal proceeding. JLI does not waive any defenses it may raise elsewhere in other litigation or matters.

55. Private Action: This Consent Judgment shall not confer any rights upon, and is not enforceable by, any persons or entities besides the State and the Released Parties. The State may not assign or otherwise convey any right to enforce any provision of this Consent Judgment.

56. Conflict with Other Laws: Nothing in this Consent Judgment shall impose an obligation on JLI that conflicts with JLI's obligations under federal, state, or local law, rule, regulation, or guidance. In the event there is a conflict between this Consent Judgment and the requirements of federal, state, or local laws, such that JLI cannot comply with this Consent Judgment without violating these requirements, JLI shall document such conflicts and notify the

State that it intends to comply with the requirements to the extent necessary to eliminate the conflict. Within thirty (30) days after receipt of a notification from JLI referenced above, the State may request a meeting to discuss the steps JLI has implemented to resolve the conflict, and JLI shall comply with any such reasonable request.

57. The provisions of this Consent Judgment are applicable only to actions taken (or omitted to be taken) in North Carolina or directed at North Carolina consumers. For the avoidance of doubt, the marketing, advertising, or sale of JUUL Products intended solely for consumers outside the United States shall not be deemed actions taken (or omitted to be taken) in North Carolina or directed at North Carolina Consumers.

58. This Consent Judgment applies only to JLI in its corporate capacity and acting through its respective successors and assigns, directors, officers, employees, agents, subsidiaries, divisions, or other internal organizational units of any kind or any other entities acting in concert or participation with them. The remedies, penalties, and sanctions that may be imposed or assessed in connection with a violation of this Consent Judgment (or any order issued in connection herewith) shall only apply to JLI, and shall not be imposed or assessed against any employee, officer, or director of JLI, or against any other person or entity as a consequence of such violation, and there shall be no jurisdiction under this Consent Judgment to do so.

59. This Consent Judgment is binding on the Parties' successors and assigns.

60. Except as expressly set forth herein, this Consent Judgment shall not be modified (by this Court, by any other court, or by any other means) without the consent of the State and JLI, or as provided for in Paragraph 51.

61. Calculation of time limitations will run from the Effective Date and be based on calendar days, except to the extent otherwise provided in this Consent Judgment.

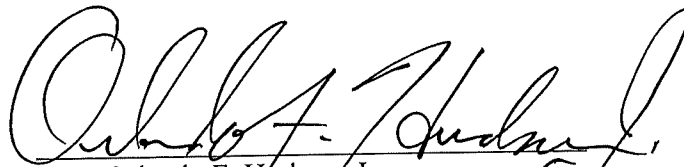
62. JLI represents that, as of the Effective Date, it is not insolvent and intends to meet the injunctive and monetary obligations set forth in this Consent Judgment.

63. This Consent Judgment shall not be construed or used as a waiver or any limitation of any defense otherwise available to JLI in any pending or future legal, regulatory, or administrative action or proceeding, or JLI's right to defend itself from, or make any arguments in, any individual or class claims or suits.

64. Except to the extent as otherwise provided in this Consent Judgment, including but not limited to Paragraph 39, each party shall bear its own attorneys' fees and costs arising out of, related to, or in connection with entry of this Consent Judgment.

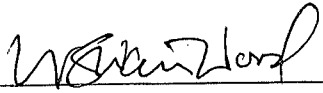
65. Except for the provisions in Section VIII, if any provision of this Consent Judgment shall, for any reason, be held illegal, invalid, or unenforceable, in whole or in part, such illegality, invalidity, or unenforceability shall not affect any other provision or clause of this Consent Judgment and this Consent Judgment shall be construed and enforced as if such illegal, invalid, or unenforceable provision, in whole or in part, had not been contained herein.

This the 28th day of June, 2021.


Hon. Orlando F. Hudson, Jr.
SENIOR RESIDENT SUPERIOR COURT JUDGE

CONSENTED TO BY:

**THE STATE OF NORTH CAROLINA, BY AND THROUGH ITS ATTORNEY
GENERAL, JOSHUA H. STEIN**

By: 

Date: June 27, 2021

Swain Wood
First Assistant Attorney General
General Counsel to Attorney General Joshua H. Stein

JUUL LABS, INC.

By: 

Date: June 27, 2021

Tyler Mace
Chief Legal Officer
Juul Labs, Inc.