

Dear Arizona Retailers,

Juul Labs, Inc. (“JLI”) entered into a [final consent judgment \(“settlement”\) with the State of Arizona](#). This settlement is consistent with our ongoing efforts to reset our company and our relationships with stakeholders as we continue to combat underage use and advance the opportunity for harm reduction for adult smokers. Importantly, we look forward to working with the State Attorney General and other manufacturers to develop potential industry-wide sales and marketing practices to ensure a more responsible marketplace for vapor products.

This settlement requires JLI to build upon programs already underway in Arizona and nationwide to restrict underage access to JUUL products. These actions will require the support of all business partners and we look forward to working with you to ensure compliance with these requirements.

What is required and why is it important?

Starting July 15, 2022, JLI will require that all Arizona retailers of JUUL products implement **Advanced Age-Verification** and **Automated Product-Quantity Limits** at the point-of-sale (referred to as **“Enhanced Access Controls”**). These sales requirements are designed to ensure a purchaser of JUUL products is at least 21 years of age and limit the amount of product that can be sold to restrict bulk-purchasing.

The sales requirements to comply with **Enhanced Access Controls** include:

1. A point-of-sale system capable of the following:
 - Electronically scan of government-issued identification to verify that the purchaser is at least 21 years of age and the identification is not expired;
 - Automatically block any transaction that involves more than 1 JUUL Device and/or 4 packs of JUULpods per transaction; and
 - Automatically block any transaction that does not comply with the sales requirements described in (a)-(b) above.
2. Visually confirm that the purchaser matches the individual represented on their identification.

Retailers that have not implemented these sales requirements by July 15, 2022 will no longer be authorized to sell JUUL products.

What should I do next as a retailer?

1. Visit <https://www.juulabsretailer.com/sell-responsibly/> or reach out to your authorized Juul Labs representative to obtain information on complying with **Enhanced Access Controls** at your retail store.
2. If necessary, obtain a 2D barcode scanner to support electronic ID scanning.

How will these requirements be enforced?

JLI will continue to monitor retailer compliance by conducting periodic in-store compliance checks – also known as “secret shops”. The existing mystery shop program has been ongoing since 2018. Program expansion in Arizona is underway as of the effective date of the settlement in November 2021. The settlement requires JLI to build upon the existing compliance check program to ensure all retailers selling JUUL products are compliant with the state of Arizona. Secret shoppers will attempt to purchase JUUL products to ensure the salesclerk complies with Federal age-verification requirements and/or JLI’s product quantity limits of up to 1 JUUL Device and/or 4 packs of JUULpods per transaction.

What if a retailer fails a JLI compliance check?

If a retailer fails an in-store compliance check, JLI will fulfill the following requirements of the settlement agreement set forth by the Arizona State Attorney General.

First Violation:

JLI shall issue a letter notifying the Arizona retail store of its first violation. The letter shall reiterate the requirements of the compliance checks and the penalty escalation structure. For any Arizona, retail store that commits a first violation, JLI shall perform a second compliance check.

Second violation occurring within one year of the first violation:

If a second violation occurs within one year of the first violation, JLI shall issue a letter notifying the Arizona retail store of the second violation. JLI shall suspend (or shall instruct any wholesaler, distributor, or sub-distributor through which JLI supplies the Arizona retail store to suspend) the Arizona retail store from any promotional activities for two promotional cycles following the date of the second failed compliance check. For any Arizona retail store that commits a second violation, JLI shall perform a third JLI compliance check within sixty (60) days of the second violation. For any second age-verification failure, JLI shall communicate the age-verification non-compliance to the Food and Drug Administration (“FDA”).

Third violation occurring within one year of the first violation:

If a third violation occurs within one year of the first violation, JLI shall issue a letter notifying the Arizona retail store of the third violation. JLI shall cease doing business with the Arizona retail store

for three (3) years from the date of the third failed compliance check, and notify all applicable wholesalers, distributors, and sub-distributors to suspend sales of JUUL products to the Arizona retail store for the three-year period. For any Arizona retail store that commits a third violation, JLI shall perform a fourth compliance check within sixty (60) days of the third violation. For any third age-verification failure, JLI shall communicate the age-verification non-compliance to the FDA.

Fourth violation occurring within one year of the first violation:

If a fourth violation occurs within one year of the first violation, JLI shall cease doing business with the Arizona retail store and notify all applicable wholesalers, distributors, and sub-distributors to suspend sales of JUUL products to the Arizona retail store. For any fourth age-verification failure, JLI shall communicate the age-verification non-compliance to the FDA.

JLI is required to provide the Arizona Attorney General with the results of its JLI compliance checks of Arizona retail stores every three months.

Who will failures be communicated to, and why?

The Arizona settlement requires JLI to report second, third, and fourth mystery shop failures to relevant wholesalers, distributors, and sub-distributors so that they can execute any applicable promotional activities suspension or sales ban. The settlement additionally requires JLI to report to the FDA any age-verification failures identified in the second, third or fourth mystery shops.

The Arizona settlement requires JLI to report the results of its mystery shop program to the Arizona Attorney General every three (3) months, starting in February 2022.

Where can I go for further information on the Arizona settlement?

Retailers can access further information on the Arizona settlement on the Arizona Attorney General's website, which also features a link to the settlement terms. <https://www.azag.gov/press-release/attorney-general-mark-brnovich-reaches-145-million-settlement-juul>

What if I have questions?

- Visit our website for more information <https://www.juullabsretailer.com>
- Call our Call Center at 1 (855) 780-7966 between 9 AM to 9 PM ET

We sincerely appreciate your continued support of our mission and look forward to working together to sell our products responsibly and combat underage use.

Thank you.