

**DESCRIPTION OF CONFIDENTIAL SETTLEMENT AGREEMENT**  
**BETWEEN JUUL LABS, INC.**  
**AND SETTLING GOVERNMENT ENTITY PLAINTIFFS**

Juul Labs, Inc., and its successors and assigns (collectively “JLI”) has entered into a Settlement Agreement with court-appointed Plaintiffs’ Leadership in MDL No. 2913 and JCCP No. 5052 (together “Plaintiffs’ Leadership”<sup>1</sup>) on behalf of all Settling Government Entity Plaintiffs and the JLI National Settlement Trust. The Settlement Agreement establishes a program to resolve, only as against JLI and the other Released Parties<sup>2</sup>, the actions and claims that the Settling Government Entity Plaintiffs had, now have, or will have in the future against JLI in connection with the design, manufacture, production, advertisement, marketing, distribution, sale, use, and performance of JUUL Products.

**Total Value of Settlement and Payment Schedule**

Plaintiffs’ Leadership negotiated a total gross Government Entity settlement fund with JLI of \$555,000,000 in Settlement Payments plus a maximum of \$45,000,000 in Government Entity Bonus Payments.

The **Settlement Payment** funds will be paid by JLI into the Government Entity Settlement Trust Account pursuant to the following schedule:

- Initial Payment – a maximum of \$300,000,000 – to be paid within 45 days of Final Approval of the Class Action against JLI
- December 15, 2023 (Second) Payment – a maximum of \$60,562,500
- December 15, 2024 (Third) Payment – a maximum of \$60,562,500
- December 15, 2025 (Fourth) Payment – a maximum of \$66,937,500
- December 15, 2026 (Fifth) Payment – a maximum of \$66,937,500

Each Settlement Payment above will be divided such that the Municipality Portion is 21.5% and the School District Portion is 78.5%, *if all* Eligible Government Entity Plaintiffs agree to participate in this Settlement Program. Thus, the total *maximum* Settlement Payment funds to be received by the Settling Municipalities is \$119,000,000 and by the Settling School Districts is \$436,000,000. Pursuant to the Settlement Agreement, this allocation of the total Government Entity settlement fund was recommended and ultimately approved by the Mediator, Thomas J. Perrelli, who was appointed by the MDL Court.

Because the above payments by JLI are to be made over time, each Settling Government Entity Plaintiff will also receive its total allocated share of the Settlement Payment funds over time. That is, the Settling Government Entity will receive an Initial Payment of 54.05% of its total allocation,

---

<sup>1</sup> “Plaintiffs’ Leadership” means the court-appointed Plaintiffs’ Co-Lead Counsel in MDL No. 2913 (Sarah London, Dena Sharp, Ellen Relkin, and Dean Kawamoto), MDL Government Entity Liaison Counsel Tom Cartmell, and the court-appointed Public Entity Plaintiffs Co-Lead Counsel in JCCP No. 5052 (John Fiske and Rahul Ravipudi).

<sup>2</sup> The “Released Parties” are set out in the “Government Entity Release of All Claims” in Definition 10 (pages 2-3).

followed by: 10.91% of its total allocation on December 15, 2023; 10.91% on December 15, 2024; 12.06% on December 15, 2025; and 12.06% on December 15, 2026.

If an Eligible Government Entity Plaintiff declines to participate in this Settlement Program, an amount equal to that Government Entity's allocated share of the Initial Payment amount shall be deducted from the Initial Payment amount. And all subsequent payments to be made by JLI pursuant to the schedule above shall be similarly reduced to account for that non-settling Government Entity's allocated share.

The **Bonus Payment** funds will be paid by JLI into the Government Entity Settlement Trust Account pursuant to the following schedule:

- December 15, 2023 (along with Second Payment above) – a maximum of \$10,687,500
- December 15, 2024 (with Third Payment) – a maximum of \$10,687,500
- December 15, 2025 (with Fourth Payment) – a maximum of \$11,812,500
- December 15, 2026 (with Fifth Payment) – a maximum of \$11,812,500

Each Bonus Payment above will be divided such that the Municipality Portion is 21.5% and the School District Portion is 78.5%, *if all* Eligible Government Entity Plaintiffs agree to participate in this Settlement Program. Each Settling Government Entity will receive the same percentage of each Bonus Payment above as its percentage of the Total Allocation (as specified on the "Final Allocation: Counties and Cities" document).

As with the Settlement Payments above, if an Eligible Government Entity Plaintiff declines to participate in this Settlement Program, an amount equal to that Government Entity's allocated percentage share of the Initial Payment amount shall be deducted from each of the Bonus Payment amounts above.

In addition, the maximum Bonus Payment amounts above will be reduced under the terms of the Settlement Agreement if any New Government Entity Suit is filed during the time period of this Settlement Program. Any such lawsuit, filed by a Government Entity that is not an Eligible Government Entity Plaintiff under the Settlement Agreement, will result in a total deduction from the Bonus Payments of no less than \$50,000 and no greater than the estimated allocation that such New Government Entity would have received had its lawsuit been filed prior to October 3, 2022 (but after September 1, 2022).

### **Settlement Offer Values and the Claim Valuation Process**

In order to be an Eligible Government Entity Plaintiff and participate in the Settlement Program, the Government Entity must have (1) filed a claim or cause of action against JLI or any Released Party as of December 6, 2022, or (2) retained, by no later than December 6, 2022, counsel who represent a different Eligible Government Entity Plaintiff that filed prior to December 6, 2022. A Government Entity under the Settlement Agreement is any U.S. domestic government entity, including but not limited to school districts, counties, cities, and municipalities (but not including Native American Tribes, U.S. States, or U.S. territories).

A total of approximately 1,551 Eligible Government Entity Plaintiffs are covered by the Settlement Agreement. The School District Portion of the Settlement Funds will be allocated to approximately 1,493 of these Entities (1465 School Districts, 25 Regional Offices of Education, 2 Private Schools, and 1 Board of Developmental Disabilities), and the Municipality Portion of the

Settlement Funds will be allocated to 58 of these Entities (46 Counties, 11 Cities, and 1 County Health Agency). As noted above, each total Settlement Payment (and total Bonus Payment) will be divided such that the Municipality Portion is 21.5% and the School District Portion is 78.5%, assuming that *all* Eligible Government Entity Plaintiffs agree to participate in this Settlement Program. Thus, the total maximum Settlement Payment funds to be received by the Settling Municipalities is \$119,000,000 (plus a maximum of \$9,675,000 in Bonus Payments) and by the Settling School Districts is \$436,000,000 (plus a maximum of \$35,325,000 in Bonus Payments).

The accompanying "JUUL County and City Allocation Approach" document sets out in detail the method and factors approved by the court-appointed Mediator for allocating the Municipality Portion of the Settlement Funds among the 58 Eligible Government Entities. (A similar method is used to determine the allocation for the School District portion of the Settlement Funds.) The accompanying "Final Allocation: Counties and Cities" document sets out each of the 58 Eligible Entities' allocated percentage and dollar amount share of the \$555,000,000 total Settlement Payment along with each Entity's relevant allocation factors.

We believe that each Eligible Government Entity's settlement offer value under this Settlement Agreement fairly reflects the circumstances of each Government Entity's case against JLI. If you have any questions regarding the court-appointed Mediator's allocation factors and method, the amount of your allocated share of the Settlement Funds, or any aspect of the information provided in this "Description of Confidential Settlement Agreement" document, please contact us and we will be happy to answer your questions.

### **Use of Settlement Proceeds**

The settlement proceeds are intended to be used for "compensatory restitution or remediation," and no amount to be distributed under the Settlement Agreement "represents reimbursement to any Settling Government Entity Plaintiff for the costs of any investigation or litigation (except for the amounts paid for Attorney's fees and Expenses pursuant to Section 19 of this Settlement Agreement)." Compensatory restitution or remediation are broad terms that are not specifically enumerated or defined in the Settlement and thus provide flexibility to Settling Government Entity Plaintiffs to use the settlement proceeds to address the problem of youth vaping and nicotine addiction. Each Settling Government Entity is required to designate a single appropriate official to file a return on IRS Form 1098-F reporting the amount distributable to the Settling Government Entity Plaintiff as restitution/remediation and a copy of such 1098-F form shall be provided to JLI.

### **Attorneys' Fees, Litigation Costs, and Common Benefit Assessment**

Each Eligible Government Entity's Settlement Allocation -- set out in the accompanying court-appointed Mediator's "Final Allocation: Counties and Cities" document -- is the Entity's gross settlement amount before the reduction for attorney's fees, case expenses, the court-ordered Common Benefit assessment, and any applicable liens.

The attorneys' fees to be paid by each settling Government Entity are those set forth in the Entity's attorney-client contract. Expenses to be reimbursed by a settling Entity will be reflected on the final "Disbursement Statement" (to be provided in the future) and will include case-specific and general expenses. Case-specific expenses are those that benefit a specific Entity (e.g., the costs of filing the Entity's lawsuit). General expenses are those that benefit a larger group of Entities represented by the same law firm. General expenses are allocated across the group of benefited

Entities in accordance with the Entity’s attorney-client contract. In addition, each settling Entity’s net settlement amount will reflect a court-ordered assessment for the Common Benefit Fee and Expense fund of between 7% and 10% of the Claimant’s total gross settlement amount.<sup>3</sup> The common benefit Fee and Expense Fund assessment is used by the Court to reimburse the attorneys who spent time and outlaid expenses in connection with Common Benefit Work in the coordinated Federal and California litigation.

### **Liens**

The “Government Entity Release of All Claims” (“Release”) to be signed by each Settling Government Entity Plaintiff provides that the Entity “shall identify to the Government Entity Settlement Administrator for the Government Entity Settlement all Persons and entities known to it to hold or assert any Lien with respect to any Settlement Payment.” The Release further provides that the settling Government Entity is solely responsible for the “satisfaction and discharge of any and all Liens with respect to any Settlement Payment,” and that prior to the first time that an Individual Government Entity Settlement Payment is made to it, the Entity “shall represent and warrant that any and all Liens with respect to any and all Settlement Payments (and/or the right to receive any and all Settlement Payments) have been satisfied and discharged.”

### **Right of Termination**

Under the terms of the Settlement Agreement, JLI retains the right to terminate this Settlement Agreement if more than a certain number of Eligible Government Entity Plaintiffs do not timely accept their settlement offers through the Settlement Program and submit a properly executed “Government Entity Release of All Claims.” JLI also retains the right to terminate this Settlement Agreement if the MDL Court does not grant Final Approval to the Class Settlement Agreement for which the Court did grant Preliminary Approval on January 20, 2023. If this Settlement Agreement is terminated for any reason, the JUUL-related claims of each Eligible Government Entity against JLI shall revert to the same position they were in immediately prior to the execution of this Settlement Agreement, and those claims against JLI will continue to be prosecuted in the court system.

### **Confidentiality and Non-Disparagement**

Under the terms of the Settlement Agreement and the Release, the terms of the Settlement Agreement are confidential and are intended to remain confidential to the extent permitted by law. No Government Entity or its counsel may disclose any terms of the Settlement Agreement,

---

<sup>3</sup> This assessment is required by parallel federal and state court orders: Case Management Order 5(A) “Establishing a Common Benefit Fee and Expense Fund,” entered on May 27, 2020, by Judge William H. Orrick, U.S. District Court Northern District of California in *In re: JUUL Labs, Inc., Marketing, Sales Practices, and Products Liability Litigation* (MDL No. 2913); and Case Management Order 10 -- “Public Entity Plaintiffs’ Supplemental Common Benefit Order,” entered on July 28, 2020, by Judge Ann I. Jones, Superior Court of the State of California, County of Los Angeles-Spring Street in *JUUL Labs Product Cases* (JCCP No. 5052). Both orders provide for a Costs Assessment of 2% and a Fee Assessment of 5% (or, in one instance, 8%) of the gross settlement amount. “Late Participating Counsel” under Judge Orrick’s CMO 5(A) are the lone exception and are subject to an 8% Fee Assessment..

including the amount of any Settlement Payment to any Person except as may be required by applicable Law (including open records and open meeting laws) or to effectuate the settlement. A Settling Government Entity may disclose such information to its counsel, accountants and/or financial advisors, each of whom the Entity shall, upon such disclosure, instruct to maintain and honor the confidentiality of such information. This confidentiality provision is not to be construed to prevent the settling Entity from revealing that a settlement has been reached.

**Please read the “Confidentiality” provision of the Release carefully. The Defendant may take legal action against a Government Entity including seeking injunctive or other equitable relief or an order requiring the breaching Government Entity to forfeit some or all of its settlement proceeds if it is determined to have violated the confidentiality provision of the Release.**

In addition, the Settlement Agreement provides that neither JLI nor any Settling Eligible Government Entity Plaintiff nor “its counsel, or anyone else acting on behalf of any of them, shall make any premeditated public statement disparaging any Party [to the Settlement Agreement] or its counsel in connection with the Government Entity Plaintiffs’ cases, this Settlement Agreement or JUUL Products.”