

**SETTLEMENT AGREEMENT BETWEEN  
CITY OF CHICAGO AND JUUL LABS, INC.**

This Settlement Agreement (“**Settlement Agreement**”), is made and entered into as of this 28th day of February, 2023 (the “**Execution Date**”), by and between the City of Chicago (“**the City**,” “**Chicago**,” or “**Plaintiff**”), and Juul Labs, Inc. and its successors and assigns (collectively “**JLI**”), each individually a “Party” and collectively, the “Parties.”

**RECITALS**

WHEREAS, Chicago brought the case captioned *City of Chicago v. Juul Labs, Inc., et al.*, Case No. 2020 CH 04183 (Circuit Court of Cook County, Illinois, County Department, Chancery Division) (the “**Chicago Case**”) in which the City alleged that JLI violated Municipal Code of Chicago (“**MCC**”) §§ 4-64-345 and 2-25-090, including by marketing JUUL Products to youth, selling JUUL Products to individuals under the age of 21 (or 18 prior to July 1, 2016), engaging in inadequate age verification, and deceptively marketing JUUL Products;

WHEREAS, JLI, on its own behalf and on behalf of the Released Parties, has denied, and continues to deny, any wrongdoing and any liability in connection with the design, manufacture, production, advertisement, marketing, distribution, sale, use, and performance of JUUL Products, including any liability for any alleged violations of MCC §§ 4-64-345 and 2-25-090;

WHEREAS, the Parties to this Settlement Agreement, after having (i) litigated the Chicago Case for approximately two and a half years; (ii) engaged in substantial discovery, including written discovery, the production of numerous documents, numerous fact and expert depositions, and the preparation and disclosure of comprehensive expert reports; (iii) engaged with the Mediator; (iv) and engaged in arm’s-length negotiations, have now reached an agreement providing for a resolution of claims that have been or could have been brought by Chicago against JLI in the Chicago Case;

WHEREAS, the Parties recognize and acknowledge the time, risk, and expense of litigating the Chicago Case to judgment;

WHEREAS, after analyzing the relevant facts and applicable law, taking into account the burdens, risks, uncertainties, time, and expense of litigation, as well as the merits of the terms set forth herein, Chicago has concluded that the settlement set forth in this Settlement Agreement is fair, reasonable, adequate and in its best interests;

WHEREAS, JLI has concluded that resolving the claims settled under the terms of this Settlement Agreement is desirable to reduce the time, risk, and expense of further litigating the Chicago Case, and to resolve finally and completely that case without any admission of wrongdoing or liability;

NOW THEREFORE, in consideration of the promises and covenants herein contained, and for other true and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and expressly intending to be legally bound hereby, the Parties enter into this Settlement Agreement. The Parties recognize and agree that the settlement amount paid by JLI as

set forth herein shall be for full and final satisfaction of any and all Released Claims and Liabilities against JLI and other Released Parties.

## 1. **DEFINITIONS**

As used in this Settlement Agreement, and in addition to the definitions set forth in the Preamble and Recitals above, capitalized terms shall have the following definitions and meanings or such definitions and meanings as are accorded to them elsewhere in this Settlement Agreement. Terms used in the singular shall be deemed to include the plural and vice versa.

1.1 “**Attorneys’ Fees and Expenses**” means the reasonable attorneys’ fees and documented litigation expenses of counsel incurred in connection with litigation against any Released Party, and in connection with this Settlement Agreement, that are recoverable pursuant to any law, statute, code, or court order or individual contract.

1.2 “**Business Day**” means any day that is not a Saturday, a Sunday or other day on which commercial banks in the City of New York, New York are required or authorized by law to be closed.

1.3 “**Claims**” means any and all rights, remedies, actions, proceedings under any law, including ordinances such as the MCC, claims, demands, causes of action, suits at law or in equity, verdicts, enforcement actions, suits of judgments and/or Liens, past or present, and any fraudulent transfer, conveyance, and related types of claims, of any kind whatsoever.

1.4 “**Court**” means Judge Allen P. Walker of the Circuit Court of Cook County, Illinois, County Department, Chancery Division, who is overseeing the Chicago Case as of the date of this Settlement Agreement, or any other Judge of the Circuit Court of Cook County, Illinois, County Department, Chancery division later appointed to oversee the Chicago Case.

1.5 “**Defense Counsel**” shall mean counsel for JLI.

1.6 “**Final Approval**” shall have the same meaning as in Exhibit A.

1.7 “**Gross Settlement Amount**” shall mean \$24,510,214.

1.8 “**JUUL Product**” means any product designed, manufactured, produced, advertised, marketed, distributed or sold by JLI or under the logo of JUUL, including but not limited to “JUUL”-branded devices and “JUUL”-branded pods.

1.9 “**Liabilities**” means any and all civil damages, fines, civil fines, penalties, monetary impositions of any nature, expenses, injunctive relief, debts, liabilities, obligations, covenants, promises, contracts, agreements and/or obligations, of any kind whatsoever, past or present.

1.10 “**Law**” means a law, statute, ordinance, rule, regulation, case, or other legal provision or authority.

1.11 “**Lien**” means any lien, pledge, charge, security interest, assignment, encumbrance, subrogation right, third-party interest, or other adverse claim of any nature whatsoever against any payment described in Section 2 of this Agreement.

1.12 “**MDL Class Settlement Agreement**” means the document attached hereto as Exhibit A.

1.13 “**MDL Court**” means Judge William H. Orrick of the U. S. District Court for the Northern District of California, who is overseeing MDL No. 2913.

1.14 “**MDL Government Entity Settlement Agreement**” means the document attached hereto as Exhibit B.

1.15 “**MDL No. 2913**” means the coordinated proceeding captioned *In re: Juul Labs Inc., Marketing, Sales Practices, and Products Liability Litigation*, Case No. 3:19-md-02913, pending in the U.S. District Court for the Northern District of California, all cases that are part of that proceeding, and Potential/Related MDL No. 2913 Cases.

1.16 “**Mediator**” means the mediator appointed by the MDL Court, Thomas J. Perrelli.

1.17 “**Person**” means an individual, corporation, partnership, limited partnership, limited liability company, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, any business or legal entity, and such individual’s or entity’s owners, members, partners, shareholders, spouse, heirs, predecessors, successors, representatives, and assignees.

1.18 “**Released Claims and Liabilities**” means, collectively, (i) Claims that Chicago may have ever had, may now have or at any time hereafter may have against any Released Party, including any claims that arise under the Municipal Code of Chicago §§ 4-64-345 and 2-25-090, and (ii) Liabilities that any Released Party may have ever had, may now have or at any time hereafter may have to Chicago, in the case of clause (i) and clause (ii), to any extent, or in any way, arising out of, relating to, resulting from and/or connected with any conduct a Released Party engaged in on or before the Execution Date relating in any way to JUUL Products, including in connection with the design, manufacture, production, advertisement, marketing, distribution, sale, use, and performance of JUUL Products. Released claims and liabilities shall not include any claim on behalf of Chicago against JUUL retailers, licensees, distributors, sellers, or resellers relating to any citations issued by the Department of Business Affairs and Consumer Protection (“BACP”) or any investigations, lawsuit, or other law enforcement action against Juul retailers, licensees, distributors, sellers, or resellers that predate this Settlement Agreement, including, but not limited to: (1) *City of Chicago v. Gold Strike, LLC*, Case No. 2019 CH 12943 (Cir. Ct. of Cook County, Ill.); (2) *City of Chicago v. EQUITE LLC LLC*, Case No. 21-5128 (N.D. Ill.); (3) *City of Chicago v. ELuminate LLC*, Case No. 2019 CH 05987 (Cir. Ct. of Cook County, Ill.); (4) *City of Chicago v. ELiquid Depot*, Case No. 2018 CH 14183 (Cir. Ct. of Cook County, Ill.); (5) *City of Chicago v. BCC Distribution Inc.*, Case No. 2019 CH 1756 (Cir.

Ct. of Cook County, Ill.); (6) *City of Chicago v. Mt. Baker Vapor*, Case No. 2022 CH 02981 (Cir. Ct. of Cook County, Ill); (7) *City of Chicago v. Just Eliquids Distro.*, Case No. 2022 CH 04671 (Cir. Ct. of Cook County, Ill.); and (8) *City of Chicago v. iPurchase Online, Inc.*, Case No. 2021 CH 01890 (Cir. Ct. of Cook County, Ill). Section 9.2 shall not apply to the Juul retailers, licensees, distributors, sellers, or resellers described in the sentence above.

1.19 “**Released Parties**” means: (i) JLI and its past, present, and/or future affiliates, assigns, predecessors, successors, related companies, subsidiary companies, directors, officers, employees, shareholders, advisors, advertisers, attorneys, insurers, and agents; (ii) past, present, and/or future manufacturers, suppliers of materials, suppliers of components, and all other persons involved in development, design, manufacture, formulation, testing, distribution, marketing, labeling, regulatory submissions, advertising and/or sale of any JUUL Product or component thereof; (iii) past, present, and/or future distributors, licensees, retailers, sellers, and resellers of JUUL Products; (iv) all past, present and/or future persons and entities that are indemnified by JLI in connection with JUUL Products by contract or common law rights of indemnification or contribution, including those listed on Schedule 1; and (v) the respective past, present, and/or future parents, subsidiaries, divisions, affiliates, joint venturers, predecessors, successors, assigns, transferees, insurers, shareholders (or the equivalent thereto), directors (or the equivalent thereto), officers (or the equivalent thereto), managers, principals, employees, consultants, advisors, attorneys, agents, servants, representatives, heirs, trustees, executors, estate administrators, and personal representatives (or the equivalent thereto) of the parties referred to in this paragraph.

1.20 “**Releasing Parties**” means (i) Chicago and (ii) any and all Persons and/or entities within Chicago’s authority to release Claims and/or Liabilities, whether their right to sue is independent, derivative, or otherwise.

1.21 “**Settling Government Entity Plaintiffs**” shall have the same meaning as in Exhibit B.

## 2. **SETTLEMENT AMOUNT**

2.1 Subject to all obligations, terms, and conditions, as set forth in this Settlement Agreement and/or imposed by law, JLI shall cause payment of \$2,815,247 (the “**Initial Chicago Settlement Amount**”) to be made to Plaintiff’s Counsel as directed by the City of Chicago Department of Law, for the benefit of Plaintiff, within thirty (30) days of execution of this Settlement Agreement by the Parties (the “**Initial Payment Date**”).

2.2 Forty-five (45) days after Final Approval, or otherwise forty-five (45) days after a party has exercised its right to terminate the MDL Class Settlement Agreement (the “**Second Payment Date**”), JLI shall cause payment of \$12,000,000 (the “**Fixed Payment**”) to be made to Plaintiff’s Counsel as directed by the City of Chicago Department of Law, for the benefit of Plaintiff.

2.3 On the Second Payment Date, JLI shall also cause payment of \$8,970,467 (the “**Chicago MDL Allocation**”) to be made to Plaintiff’s Counsel as directed by the City of Chicago Department of Law, for the benefit of Plaintiff.

2.4 After Final Approval, JLI shall cause payment of an amount not to exceed \$724,500 (the “**Bonus Payments**”) to be made to Plaintiff’s Counsel as directed by the City of Chicago Department of Law for the benefit of Plaintiff to be paid across four years pursuant to the terms of the MDL Government Entity Settlement Agreement, included as Appendix I to this agreement. Otherwise, JLI shall cause payment of the Bonus Payments to be made to Plaintiff’s Counsel as directed by the City of Chicago Department of Law for the benefit of Plaintiff within forty-five (45) days after JLI has exercised its right to terminate the MDL Class Settlement Agreement.

2.5 Within five (5) days after Final Approval, Chicago must notify counsel for the Settling Government Entity Plaintiffs whether any portion of any settlement payment allocated to Chicago under the MDL Government Entity Settlement Agreement should not be paid by JLI, or if such a portion has already been paid, should be returned to JLI.

2.6 At the MDL Court’s discretion, Chicago shall receive 1.61% of any *cy pres* payment awarded to the Settling Government Entity Plaintiffs (the “**Cy Pres Payment**”). For the avoidance of doubt, no Cy Pres Payment is available if the MDL Class Settlement Agreement is terminated.

2.7 Other than as set forth in this Section 2, neither JLI nor any Released Party shall have any additional payment obligations in connection with this Settlement Agreement, including any Attorneys’ Fees and Expenses or costs of the Settlement Program. Other than as set forth in Section 3.6, JLI and the Released Parties shall not, under any circumstances, be responsible for, or liable for, payment of any amount under this Settlement Agreement in excess of the Gross Settlement Amount.

2.8 All unpaid payment amounts set forth in Section 2.1 through Section 2.5 shall become immediately due and payable, without need for further action by any other Person, upon JLI (i) commencing a voluntary case under any federal, state or foreign bankruptcy, examinership, insolvency, receivership or similar law now or hereafter in effect, (ii) consenting to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law from JLI to the respective payee(s) set forth in such sections; or (iii) failing to pay amounts when due and payable.

2.9 JLI shall not be responsible for or liable for the calculation, allocation, division, or distribution of any payment made in connection with this Settlement Agreement (the “**Chicago Payment**”), including without limitation whether among or between Plaintiff and Plaintiff’s Counsel, and/or any other person or entity that has a financial interest in the Chicago Payment.

2.10 Chicago, through an “appropriate official” within the meaning of Treasury Regulations Section 1.6050X-1(f)(1), shall (i) complete and timely file a Form 1098-F with

the Internal Revenue Service and (ii) timely furnish Copy B of such Form 1098-F (or an acceptable substitute statement) to JLI.

### **3. RELEASE**

3.1 Chicago understands and agrees that this Release shall become effective concurrent with JLI's payment described in Section 2.1 of this Settlement Agreement. Chicago, on its own behalf and on behalf of each other Releasing Party, hereby knowingly and voluntarily releases, relinquishes, and forever discharges the Released Parties from the Released Claims and Liabilities.

3.2 Chicago acknowledges that it may in the future learn of additional and/or different facts as they relate to JUUL Products, the Released Parties' activities as they relate to JUUL Products, and/or any injury Chicago has ever claimed, or may at any time in the future claim, JUUL Products caused in whole or in part, that relate to conduct by the Released Parties on or before the Execution Date of this Settlement Agreement. Chicago understands and acknowledges the significance and consequences of releasing all of the Released Claims and Liabilities and hereby assumes full risk and responsibility for any and all such additional and/or different facts and any and all Released Claims and Liabilities that Chicago may hereinafter incur or discover. To the extent that any Law may at any time purport to preserve Chicago's and/or any other Releasing Party's right to hereinafter assert any such unknown and/or unanticipated Claims and/or Liabilities, Chicago hereby specifically and expressly waives (to the fullest extent permitted by applicable Law) each Releasing Party's rights under such law. Chicago further acknowledges having had an opportunity to obtain advice of counsel of its choosing regarding this waiver, and having discussed it with such counsel to its satisfaction.

3.3 On its own behalf and on behalf of each other Releasing Party, Chicago acknowledges and agrees that the releases set forth in this Release are irrevocable and unconditional, inure to the benefit of each Released Party, and are intended to be as broad as can possibly be created.

**3.4 WITHOUT LIMITATION OF THE FOREGOING, THIS RELEASE IS SPECIFICALLY INTENDED TO OPERATE AND BE APPLICABLE EVEN IF IT IS ALLEGED, CHARGED, OR PROVED THAT SOME OR ALL OF THE RELEASED CLAIMS AND LIABILITIES ARE CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE, NEGLIGENCE PER SE, GROSS NEGLIGENCE, BREACH OF WARRANTY, VIOLATION OF LAW, DEFECTIVE PRODUCT, MALICE, AND/OR CONDUCT OF ANY TYPE BY JLI, ANY OF THE OTHER RELEASED PARTIES, ANY RELEASING PARTY AND/OR ANY OTHER PERSON. THIS RELEASE IS SPECIFICALLY INTENDED TO AND DOES INCLUDE, BUT IS NOT LIMITED TO, A RELEASE OF, AND COVENANT NOT TO SUE FOR, ANY LATENT, FUTURE, OR WRONGFUL DEATH CLAIM THAT MAY BE BROUGHT AT ANY TIME OR ON BEHALF OF ANY OF THE RELEASING PARTIES IN CONNECTION WITH ANY OF THE FACTS, EVENTS AND/OR INCIDENTS THAT GAVE RISE TO ANY OF THE RELEASED CLAIMS AND LIABILITIES.**

**3.5 Waiver of Civil Code Section 1542: Chicago, along with each of its personal representatives, officers, employees, attorneys, administrators and assigns, expressly waives and relinquishes, to the fullest extent permitted by law, the provisions, rights, and benefits of California Civil Code Section 1542, or any other similar provision under federal or state law, which provides:**

**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.**

**Chicago acknowledges that it may have sustained damages, losses, fees, costs or expenses that are presently unknown and unsuspected, and that such damages, losses, fees, costs or expenses might give rise to claims in the future. Nevertheless, Chicago acknowledges that this Release has been negotiated and agreed upon in light of such possible damages, losses, fees, costs or expenses, and it acknowledges and waives such claims.**

**3.6 Chicago understands that the Released Parties are not responsible for any attorneys' fees or costs Chicago has incurred or may at any time incur, including, but not limited to, entering into this Release and any other documents.**

**3.7 Pursuit of Certain Claims: Chicago agrees that it will never (i) take any legal or other action to initiate, pursue or maintain, or otherwise attempt to execute upon, collect or otherwise enforce, any of the Released Claims and Liabilities of or against any Released Party; (ii) institute or participate in any new legal action (excluding criminal prosecutions) against any Released Party to any extent, or in any way, arising out of, relating to, resulting from and/or connected with JUUL Products and/or with any injury or violation Chicago (and/or any other Releasing Party) has ever claimed, or may at any time hereafter claim, JUUL Products caused in whole or in part; or (iii) attempt to execute or collect on, or otherwise enforce, any judgment that may be entered against any Released Party in any legal action described in clause (ii) or its pending legal action against JLI.**

**3.8 Liens and Other Third-Party Payor Claims: Chicago understands and acknowledges that satisfaction and discharge of any and all Liens with respect to the Chicago Payment is the sole responsibility of Chicago. Chicago represents and warrants that any and all Liens with respect to the Chicago Payment (and/or the right to receive any and all Settlement Payments) have been satisfied and discharged.**

**3.9 ACKNOWLEDGEMENT OF COMPREHENSION: CHICAGO IS ENTERING INTO THIS RELEASE FREELY AND VOLUNTARILY, WITHOUT BEING INDUCED, PRESSURED OR INFLUENCED BY, AND WITHOUT RELYING ON ANY REPRESENTATION OR OTHER STATEMENT MADE BY OR ON BEHALF OF, JLI OR ANY OTHER PERSON. CHICAGO UNDERSTANDS AND ACKNOWLEDGES THE NATURE, VALUE AND**

**SUFFICIENCY OF THE CONSIDERATION DESCRIBED IN SECTION TWO OF THIS SETTLEMENT AGREEMENT. CHICAGO ACKNOWLEDGES THAT IT HAS READ THIS RELEASE AND HAS HAD AN OPPORTUNITY TO OBTAIN ADVICE FROM, AND ASK QUESTIONS OF, COUNSEL OF ITS CHOOSING REGARDING THE TERMS AND LEGAL EFFECT OF THESE DOCUMENTS. CHICAGO FURTHER ACKNOWLEDGES THAT IT HAS DISCUSSED ALL THESE MATTERS WITH COUNSEL, AND SUCH COUNSEL HAS ANSWERED ALL ITS QUESTIONS TO ITS SATISFACTION. CHICAGO FURTHER ACKNOWLEDGES THAT IT UNDERSTANDS THIS RELEASE AND AGREEMENT.**

3.10 **Waiver of Certain Provisions Regarding Timing of Any Payments.** If Chicago has any civil action pending in any jurisdiction that has enacted, promulgated, or otherwise adopted any law containing provisions that establish specific time periods within which settlement funds, if any, must be paid to it in connection with the settlement of such civil action and/or impose sanctions, penalties or other similar obligations against the paying party if the settlement funds are not paid within such time periods and/or invalidate or otherwise affect the terms of the settlement of such civil action, including but not limited to 735 ILCS 5/2-2301, Chicago hereby (i) specifically and expressly waives (to the fullest extent permitted by applicable law) its rights under any such provisions and (ii) agrees that payment of the Chicago Payment shall be made solely in accordance with the terms and conditions of the Settlement Agreement.

3.11 **No Admission of Fault:** Chicago understands and agrees that JLI has entered into this Settlement Agreement solely by way of compromise and settlement. These documents are not and shall not be construed at any time to be an admission or concession by JLI or any other Released Party of any liability or wrongdoing, or of the truth of any of Chicago's allegations.

3.12 **Representations and Warranties:** Chicago hereby represents and warrants that it has full power, authority and capacity to enter into this Release, which is enforceable in accordance with its terms, and to settle and release, without limitation and to the maximum extent of Chicago's power, all Released Claims and Liabilities of all Releasers. Chicago acknowledges that JLI expressly conditions the Chicago Payment on the signatory possessing authority to settle and release. Chicago has the sole right to receive the Chicago Payment. Neither Chicago nor any other Releasing Party has sold, assigned, transferred or otherwise disposed of, or pledged or otherwise encumbered, any of the Released Claims and Liabilities in whole or in part.

3.13 **GOVERNING LAW:** THIS SECTION 3 SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAW OF ILLINOIS, WITHOUT REGARD TO ANY CHOICE-OF-LAW RULES THAT WOULD REQUIRE THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION.

3.14 **Severability:** Chicago agrees that if any provision of this Release is adjudicated to be invalid, illegal or unenforceable in any jurisdiction, the relevant provision



shall be deemed modified to the extent necessary to make it enforceable in such jurisdiction and, if it cannot be so modified, this Release shall be deemed amended to delete herefrom the invalid or unenforceable provision, and this Release shall be in full force and effect as so modified. Any such modification or amendment in any event shall apply only with respect to the operation of this Release in the particular jurisdiction in which such adjudication was made and shall not affect such provision in any other jurisdiction. To the fullest extent permitted by applicable law, Chicago hereby (on its own behalf and on behalf of each other Releasing Party) specifically and expressly waives any provision of Law that renders any provision of this Release invalid, illegal or unenforceable in any respect.

#### **4. DISMISSAL OF LITIGATION**

4.1 On the day following the Execution Date of this Settlement Agreement, the Parties shall submit to the Court a joint motion to stay the Chicago Case. Any stay will remain effective until Chicago dismisses with prejudice all claims asserted against JLI and any other Released Parties in the Chicago Case pursuant to Section 4.2, unless modified by further order of the Court.

4.2 Within five (5) days of receiving the payment described in Section 2.1 of this Settlement Agreement, Plaintiff shall file a Stipulation of Dismissal of this Litigation with Prejudice as to JLI and the Released Parties, in a form agreed to by counsel for JLI.

4.3 All statutes of limitation applicable to all Parties and Released Persons relating to fraudulent transfer, conveyance, and related types of claims shall be tolled until the earlier of (a) commencement of a bankruptcy by or against JLI, or (b) receipt of the payment described in Section 2.1 of this Settlement Agreement. Upon payment of the Chicago Payment, all tolled statutes of limitations claims that would have expired absent such tolling prior to such date relating to fraudulent transfer, conveyance, and related theories shall expire.

4.4 It is expressly understood and agreed that the Parties have entered into this Settlement Agreement in good faith. It is the intent of Chicago, upon effectiveness of its Release, and the Released Parties, that by making this good faith settlement of a disputed matter, the Released Parties shall be relieved from any liability for the design, manufacture, production, advertisement, marketing, distribution, sale, use, and performance of JUUL Products under any theory, whether contribution, indemnification, or other means.

#### **5. EXCLUSIVE REMEDY**

5.1 Upon the effectiveness of the Release described in Section 3, this Settlement Agreement shall be the exclusive remedy for Chicago with respect to Released Claims and Liabilities as against any and all Released Parties. Chicago shall not recover, directly or indirectly, any sums from JLI or the other Released Parties for Released Claims and Liabilities other than the consideration received under the terms of this Settlement Agreement.

**6. NO PUNITIVE DAMAGES.**

6.1 Chicago agrees that no payment made in connection with this Settlement Agreement is, or shall be deemed to be, attributable to punitive damages.

**7. NO ADMISSION OF LIABILITY**

7.1 Neither this Settlement Agreement, nor any exhibit, document, or instrument delivered in connection with this Settlement Agreement, nor any statement, transaction, or proceeding in connection with the negotiation, execution, or implementation of this Settlement Agreement, is intended to or may be construed as or deemed to be evidence of (a) an admission or concession by JLI or any other Released Party of any liability or wrongdoing, or of the truth of any of Chicago's allegations, or (b) an admission or concession by Chicago of any lack of merit in those allegations.

7.2 Pursuant to this Settlement Agreement, and pursuant to Federal Rule of Evidence 408, Illinois Rule of Evidence 408, and any other applicable law, rule, or regulation, the fact of entering into or carrying out this Settlement Agreement, and any negotiations and proceedings related hereto, shall not be construed as, offered into evidence as, or deemed to be evidence of, an admission or concession of liability by or against any of the Parties or any other Released Party, or as a waiver of any applicable statute of limitations or repose, and shall not be offered or received into evidence, or considered, in any action or proceeding against any Party or Released Party in any judicial, quasi-judicial, administrative agency, regulatory or self-regulatory organization, or other tribunal, or proceeding for any purpose whatsoever, other than to enforce the provisions of this Settlement Agreement or the provisions of any related agreement, release, or exhibit hereto. Notwithstanding the foregoing or anything herein to the contrary, the Released Parties may file this Settlement Agreement and use it as evidence in any action that may be brought against them in order to support any defense or counterclaim, including without limitation those based on principles of res judicata, collateral estoppel, estoppel, release, good-faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

7.3 Nothing in this Settlement Agreement may be taken as or construed to be an admission or concession by Chicago that the Chicago Payment fully compensates Chicago for any alleged harms.

**8. REPRESENTATIONS AND WARRANTIES**

8.1 Chicago represents and warrants that it has the authority to enter into this Settlement Agreement and has not assigned, in whole or in part, any rights or Claims against JLI or any other Released Parties, and has not assigned, in whole or in part, any of the Released Claims and Liabilities.

8.2 JLI represents and warrants that it has the authority, and if applicable the requisite corporate power, to execute, deliver, and perform this Settlement Agreement. The execution, delivery, and performance by JLI of this Settlement Agreement has been duly authorized by all necessary corporate action. This Settlement Agreement has been duly

and validly executed and delivered by JLI, and constitutes its legal, valid, and binding obligation.

8.3 This Settlement Agreement is enforceable against each of the Parties in accordance with its terms.

8.4 The Parties represent and warrant that they shall comply with the terms of the protective order entered in each pending case regarding the disposition of litigation materials following the Execution Date.

## 9. CLAIM-OVER AND TAXES

9.1 *Claim-Over.* It is the intent of the Parties that:

9.1.1 Released Parties should not seek contribution or indemnification (other than pursuant to an insurance contract), from other parties for their payment obligations under this Settlement Agreement;

9.1.2 The payments made under this Settlement Agreement shall be the sole payments made by the Released Parties to Chicago involving, arising out of, or related to the conduct released herein;

9.1.3 Claims by Chicago against Non-Parties should not result in additional payments by Released Parties, except where required by contractual indemnification; and

9.1.4 The Settlement Agreement meets the requirements of the Uniform Contribution Among Joint Tortfeasors Act and any similar state law or doctrine that reduces or discharges a released party's liability to any other parties.

9.2 Plaintiff agrees that, if (a) Chicago asserts a Claim relating to the Released Claims and Liabilities against any Person that is not a Released Party (a "**Non-Released Party Judgment**"); and (b) if such Person asserts a claim for contribution or indemnity or any similar theory other than contractual indemnification relating to such Person's joint liability with a Released Party (a "**Claim-Over**"), then Chicago and the Released Party shall take the following steps:

9.2.1 They shall jointly seek a bar order from the Court or such other court as may have jurisdiction reflecting that this settlement is a good faith settlement and that relevant state laws governing such settlements should be enforced;

9.2.2 Chicago, with respect to any proceeding to which it is a party, shall consent to and join in, and with respect to all other proceedings shall consent to, any motion by JLI or any of the other Released Parties against any Non-Released Party to dismiss any Claim-Over on the grounds that this Settlement Agreement and/or the Chicago Payment moots or otherwise extinguishes any such Claim-Over.

9.2.3 The Parties shall engage a mediator to determine whether some portion of any funds that have been paid as part of the Non-Released Party Judgment should be held in escrow pending resolution of legal issues related to the Claim-Over. In no event shall the escrow funds exceed the lesser of (i) the amount received by Chicago under the Settlement Agreement, or (ii) the amount of the Claim-Over Judgment.

9.2.4 In the event that any Person obtains a judgment against the Releasing Party for a Claim-Over related to a Non-Released Party Judgment, Chicago shall reduce the unsatisfied amount of the Non-Released Party Judgment by the lesser of (i) the Chicago Payment, or (ii) the amount of the Claim-Over Judgment; provided that the amount of such reduction shall in no event be greater than the then-unsatisfied amount of the Non-Released Party Judgment.

9.3 No Released Party shall seek to recover for amounts paid under this Settlement Agreement based on indemnification, contribution, or any other theory from any other party. For the avoidance of doubt, nothing herein shall prohibit a Released Party from recovering amounts owed pursuant to insurance contracts.

9.4 Chicago will be responsible for any tax consequences arising from, related to, or in any way connected with the relief afforded to it under this Settlement Agreement.

## **10. CONTINUING JURISDICTION**

10.1 The Court shall retain jurisdiction over the Chicago Case, this Settlement Agreement, and the Parties for the purpose of administering, supervising, construing and enforcing this Settlement Agreement.

## **11. FEES AND EXPENSES OF COUNSEL**

11.1 Neither JLI nor any other Released Party shall have any responsibility whatsoever for the payment of Attorneys' Fees and Expenses, or for any fees or expenses of any counsel or professionals retained by Chicago for purposes of the Chicago Case.

## **12. THIRD-PARTY BENEFICIARIES**

12.1 Any Released Party who is not a signatory to this Settlement Agreement is a third-party beneficiary of this Settlement Agreement, and is entitled to all of the rights and benefits under this Settlement Agreement. Further, any such Released Party may enforce any and all provisions of this Settlement Agreement as if that Released Party was a direct party to this Settlement Agreement.

12.2 Other than Section 12.1, no provision of this Settlement Agreement or any Exhibit thereto is intended to create any third-party beneficiary to this Settlement Agreement.

**13. AMENDMENT; NO IMPLIED WAIVER**

13.1 This Settlement Agreement may be amended by (and only by) an instrument signed by JLI, on the one hand, and Chicago, on the other hand.

13.2 Except where a specific period for action or inaction is provided herein, no failure on the part of a Party to exercise, and no delay on the part of either Party in exercising, any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any waiver on the part of either Party of any such right, power or privilege, or any single or partial exercise of any such right, power or privilege, preclude any other or further exercise thereof or the exercise of any other right, power or privilege; nor shall any waiver on the part of a Party, on any particular occasion or in any particular instance, of any particular right, power or privilege operate as a waiver of such right, power or privilege on any other occasion or in any other instance.

**14. OTHER OBLIGATIONS; MISCELLANEOUS**

14.1 Neither this Settlement Agreement nor the settlement set forth within it, nor any act performed or document executed pursuant to or in furtherance of this Settlement Agreement or the settlement set forth within it, nor any negotiations leading to this Settlement Agreement, is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claims and Liabilities, or of any fault, omission, fact, wrongdoing or liability of JLI or other Released Party in any civil, criminal, or administrative proceeding in any court, administrative agency, or other tribunal. The Released Parties may file this Settlement Agreement in any action that may be brought against them in order to support any defense or counterclaim, including without limitation those based on principles of *res judicata*, collateral estoppel, release, good-faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

14.2 All agreements made and orders entered during the Chicago Case and/or MDL No. 2913 to the confidentiality of information survive this Settlement Agreement.

14.3 All of the Exhibits and Appendices to this Settlement Agreement are material and integral parts hereof and are fully incorporated herein by this reference.

14.4 This Settlement Agreement, including attached Exhibits and Appendices, constitutes the entire agreement by and among the Parties with regard to the subject matter of this Settlement Agreement, and shall supersede any previous agreements and understanding among the Parties with respect to the subject matter of this Settlement Agreement and the settlement set forth within it.

14.5 Any notice, request, instruction, or other document to be given by any Party to this Settlement Agreement to any other Party to this Settlement Agreement shall be in writing and delivered by an overnight delivery service, with a courtesy copy via electronic mail to:

**If to Chicago:**

Stephen J. Kane  
City of Chicago Department of Law  
121 North LaSalle Street, Room 600  
Chicago, IL 60602  
Telephone: (312) 744-6934  
stephen.kane@cityofchicago.org

-and-

Mimi Liu  
Motley Rice LLC  
401 9th Street NW, Suite 630  
Washington, D.C. 20004  
Telephone: (202) 386-9625  
mliu@motleyrice.com

**If to JLI:**

Juul Labs, Inc.  
1000 F Street, NW  
Washington DC 20004  
Attention: Tyler Mace and Scott Richburg  
Email address: tyler.mace@juul.com

-and-

Kirkland & Ellis LLP  
1301 Pennsylvania Ave., NW  
Washington, DC 20004  
Attention: Peter Farrell  
Email address: pfarrell@kirkland.com

-and-

Kirkland & Ellis LLP  
300 North LaSalle Street  
Chicago, IL 60654  
Attention: Renee Smith  
Email address: rdsmith@kirkland.com

14.6 This Settlement Agreement is the result of a mutual negotiation between counsel for the Parties. Any ambiguity in this Settlement Agreement shall not presumptively be construed in favor of or against any Party as the drafter of this Settlement Agreement.

14.7 Except as provided in Section 15, the provisions of this Settlement Agreement are not severable.

## **15. WAIVER OF INCONSISTENT PROVISIONS OF LAW**

15.1 To the fullest extent permitted by applicable law, each Party waives any provision of law (including the common law), which renders any provision of this Settlement Agreement invalid, illegal or unenforceable in any respect, including but not limited to 735 ILCS 5/2-2301 and 735 ILCS 5/2-1303.

15.2 Any provision of this Settlement Agreement which is prohibited or unenforceable to any extent or in any particular context shall be ineffective, but such ineffectiveness shall be limited as follows: (i) if such provision is prohibited or unenforceable only in or as it relates to a particular jurisdiction, such provision shall be ineffective only in or as it relates to (as the case may be) such jurisdiction and only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability in or as it relates to (as the case may be) such jurisdiction shall not otherwise invalidate or render unenforceable such provision (in such or any other jurisdiction); (ii) if (without limitation of, and after giving effect to, clause (i)) such provision is prohibited or unenforceable only in a particular context (including only as to a particular Person or Persons or under any particular circumstance or circumstances), such provision shall be ineffective, but only in such particular context; and (iii) without limitation of clauses (i) or (ii), such ineffectiveness shall not invalidate any other provision of this Settlement Agreement. Without limitation of the preceding sentence, it is further the desire, and intent and agreement, of the Parties that if the Court determines that any provision of this Settlement Agreement is prohibited or unenforceable to any extent or in any particular context but in some modified form would be enforceable, the Court shall have the power to, and shall, (x) modify such provision for purposes of such proceeding in accordance with clauses (i), (ii) and (iii) of the preceding sentence and otherwise to the minimum extent necessary so that such provision, as so modified, may then be enforced in such proceeding, and (y) enforce such provision, as so modified pursuant to clause (x), in such proceeding. In any event, upon any such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Settlement Agreement so as to effect the original intent of the Parties as closely as possible to the fullest extent permitted by applicable law. Nothing in this Section 15.2 is intended to, or shall, limit (1) Section 15.1 or (2) the intended effect of Section 15.3 (Governing Law).

15.3 All the terms of this Settlement Agreement shall be governed by and interpreted according to the laws of the State of Illinois, except to the extent federal law applies.

15.4 References to a Section also includes any other sections or subparts within that Section, *e.g.*, a reference to Section 12, includes Sections 12.1 and 12.2. References to a subpart of a Section includes only that subpart, *e.g.*, a reference to Section 12.1 does not include Section 12.2. The definitions contained in this Settlement Agreement or any Exhibit or Appendix hereto are applicable to the singular as well as the plural forms of such terms. The definitions contained in this Settlement Agreement or any Exhibit hereto are applicable to the singular as well as the plural forms of such terms. Words of any gender (masculine, feminine, otherwise) mean and include correlative words of the other genders.

15.5 All representations, warranties, and covenants set forth in this Settlement Agreement shall be deemed continuing and shall survive the date of this Settlement Agreement, or termination or expiration of this Settlement Agreement.

15.6 Each of the Parties agrees, without further consideration, and as part of finalizing the settlement hereunder, to execute and deliver such other documents and take such other actions that may be necessary to consummate and effectuate the subject matter and purpose of this Settlement Agreement.

15.7 This Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Settlement Agreement, provided that this Settlement Agreement shall not be complete until it has been signed by everyone for whom a signature line has been provided.

15.8 This Settlement Agreement and any amendments thereto, to the extent signed and delivered electronically or by facsimile shall be treated in all manners and respects as an original Settlement Agreement and shall be considered to have the same binding legal effect as if it were the original signed version thereof, delivered in person.

[Signatures on following pages; remainder of this page intentionally left blank]



**Plaintiff City of Chicago:**

  
\_\_\_\_\_  
Stephen J. Kane  
City of Chicago Department of Law

**Defendant Juul Labs, Inc.'s Counsel:**


\_\_\_\_\_  
Peter A. Farrell  
Kirkland & Ellis LLP

**Plaintiff City of Chicago:**

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Stephen J. Kane  
City of Chicago Department of Law

**Defendant Juul Labs, Inc.'s Counsel:**



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Peter A. Farrell  
Kirkland & Ellis LLP

## Appendix I

1. *Cases Triggering a Potential Deduction.* The only lawsuits that may trigger a potential reduction (except as set forth in section 5 below)
  - a. Must be filed by Government Entities of the United States;
  - b. Must involve JUUL Products and be brought against a Released Party;
  - c. Must be filed after the Execution Date of this Settlement Agreement;
  - d. Must have completed the mandatory mediation set forth in the case management discovery order and not resulted in a resolution (and are not otherwise dismissed within 90 days of completion of production requirements in the proposed Case Management Order for Ongoing Litigation).
  - e. Must not be an Eligible Government Entity Plaintiff under the Settlement Agreement.
  - f. Are not excepted from treatment as New Government Entity Suits by section 6 below.

Each such lawsuit is a New Government Entity Suit.

2. *Year(s) in which Potential Deductions Are Applied*
  - a. A New Government Entity Suit shall trigger a deduction from the first Government Entity Bonus Payment after the requirement of section 1.d is fulfilled (First Year Deduction). For avoidance of doubt, the First Year Deduction for a given New Government Entity Suit is applied to the first Government Entity Bonus Payment following the fulfillment of section 1.d for such lawsuit, which may be after the Government Entity Bonus Payment associated with the Second Payment.
  - b. Deductions for subsequent years, if applicable, shall be governed by the provisions in section 3 (Subsequent Year Deductions).
3. *Calculation of Amount of Deduction for Individual New Government Entity Suits*
  - a. The total amount of deductions for a New Government Entity Suit shall be no less than \$50,000 and no greater than the estimated allocation that such New Government Entity Suit would have received had it been filed after September 1, 2022, but prior to October 3, 2022. Such estimated allocation shall be determined by reference to the government entities closest in size and type that received allocations under the Agreement. Any disputes about such deduction shall be determined by the Mediator.

- b. Subject to section 3.a, the amount of the First Year Deduction shall be calculated by the student population/youth population age 5-17 of the government entity multiplied by the Per Student Amount set forth in the following chart:

Type of Government Entity	Student Population/ Youth Population 5-17	Per Student Amount
School District/City/County	More than 175,000	\$ 20
	75,000-174,999	\$ 18
	25,000-74,999	\$ 17
	10,000-24,999	\$ 14
	5,000-9,999	\$ 7.50
	Under 5,000	\$ 5.00

- c. Consistent with the allocation, student population shall be calculated using the National Center for Education Statistics for the 2020-2021 school year and Youth Population 5-17 shall be calculated using the 2020 U.S. Census American Community Survey.
- d. A New Government Entity Suit shall trigger a Subsequent Year Deduction only if
- i. The cap set forth in section 3.a has not been hit following application of the First Year Deduction and any Subsequent Year Deductions for the New Government Entity Suit;
  - ii. The New Government Entity Suit is still pending as of the date of the applicable Government Entity Bonus Payment.
- e. The Subsequent Year Deduction for a New Government Entity Suit shall equal 25% of the First Year Deduction. Such Deduction shall be applied each subsequent year that the New Government Entity Lawsuit remains pending, subject to the cap in section 3.c. Once the cap in section 3.c is reached, there shall be no Subsequent Year Deduction for such lawsuit.

4. *Calculation of New Government Entity Bonus Payment*

- a. The New Government Entity Bonus Payment for each year shall be calculated by
- i. Totaling all of the First Year Deductions and Subsequent Year Deductions for each New Government Entity Suit triggered for that Annual Payment and, for the Second Payment, the amount set forth in section 5; and

- ii. Subtracting the amounts in paragraph 4.a.i from the New Government Bonus Payment for the applicable Annual Payment.
  - b. In no event shall the Government Entity Bonus Payment be less than zero.
  - c. In the event that the amount of reductions for the New Government Bonus Payment for the Second Payment is greater than \$10,687,500, there shall be a roll-over of reductions to the Government Entity Bonus Payment associated with the Third Payment equal to the amount above \$10,687,500 with a cap of \$3 million.
  - d. Except as set forth in section 4.c. there shall be no roll-over from year-to-year – meaning if the Government Entity Bonus Payment is 0 in a given year, “excess” reductions shall not be rolled over into the subsequent year.
5. *Impact of Non-MDL settlement.* In the event that the Defendants complete a settlement with a non-MDL government entity plaintiff that filed suit prior to January 1, 2022, which settlement may or may not result in such non-MDL plaintiff receiving funds under this Settlement Agreement, there shall be a reduction applied to the New Government Entity Bonus Payment relating to the year of the settlement. Such reduction shall equal 50% of any amount above \$11.6 million that such non-MDL government entity plaintiff will receive under the settlement, except that such reduction shall not be greater than \$5 million.
6. *Exceptions.* Notwithstanding the foregoing, a lawsuit will not qualify as a New Government Entity Suit and will not trigger any deduction if either of the following are true:
- a. Defendants have not moved for a show cause order to dismiss the case pursuant to case management order for ongoing Litigation and the case is deficient with regard to some material portion of that order.
  - b. Defendants have intentionally delayed the resolution of such case for the purpose of obtaining a reduction of the bonus. To the extent, that plaintiffs allege defendants have engaged in such intentional delay and defendants dispute such allegations, the parties shall put the dispute before the Mediator, who shall decide whether the reduction should be applied or shall implement a consensual resolution of the issues by the Parties.