



HENDY JOHNSON
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CONFIDENTIAL
ATTORNEY-CLIENT COMMUNICATION

*Direct e-mail: rjohnson@justicestartshere.com
February 20, 2023*

Via Email: kcartwright@feptc.com
Keith Cartwright
FRYMIER, EVANS, PEYTON, TEAGUE & CARTWRIGHT, PLLC
One South Main Street, Third Floor
Post Office Box 695
Madisonville, KY, 42431

Re: *Settlement Offer for Government Entity Claims Against JUUL Labs, Inc.*
("JLI")

Dear Mr. Cartwright:

Please be advised that the contents of this letter and the amount of the settlement for your school district are **CONFIDENTIAL**. This information cannot be disclosed unless you receive a valid Open Records Request and your Board attorney determines that the contents of this letter and attachments are subject to that request.

We are pleased to inform you that pursuant to the confidential, global "Government Entity Settlement Agreement" with JUUL Labs, Inc. ("JLI"), Hopkins County Public Schools is eligible to receive a gross offer of \$119,831.00 to resolve its Government Entity claims against JLI. From that amount, attorneys' fees, case costs, and the court-ordered Common Benefit Expense assessment will be deducted. In addition, any liens that may exist on the Settlement Funds must be satisfied and discharged before any Settlement Funds are released to Hopkins County Public Schools.

This gross settlement offer amount was determined by an allocation method and group of objective factors approved by the court-appointed Mediator. The accompanying "JUUL School District Allocation Approach" document describes in detail those factors and the allocation methodology. The accompanying "Final Allocation: School Districts and Regional Education Agencies" document provides further information regarding the objective factors used in the allocation.

Please note, as explained further in the enclosed "Description of Confidential Settlement Agreement" document, the gross settlement offer amount set forth above does not include any portion of the Bonus Payment funds to which Hopkins County Public Schools will ultimately be entitled. The Bonus Payment funds could result in an *additional* total payment of as much as 8.1% of the gross settlement offer stated above.



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The total amount you are to receive will be paid in installments as follows:

- 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 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.

As you can see from the above, most of your allocation (approximately 2/3) will be paid this year, with the first payment coming in September and the remainder coming in December of 2023. The remaining amount of your allocation (approximately 1/3) will be paid in three installments in 2024, 2025 and 2026.

You are free to accept or reject this settlement offer, but we strongly recommend that you accept it. We believe that this is a fair and reasonable settlement offer for your School District's claims against JLI given (a) significant uncertainties regarding JLI's solvency; (b) the JLI-related harm the Entity has suffered; and (c) the burdens, risks, uncertainties, time, and expense of continued litigation (expense that the Entity would ultimately bear). In our opinion, this Settlement is the best opportunity to receive fair and reasonable compensation for your Government Entity claims in the foreseeable future. Based upon the knowledge and experience we have gained through our years of involvement in the litigation against JLI, we believe that settling now and receiving payment for your School District's claims is clearly in your best interest.

If you reject this settlement offer, your School District's claims against JLI will continue in the court system. This will involve substantial additional delay and expense to you, and you also run the risk of ultimately receiving nothing for your claims against this defendant.

If you choose to follow our recommendation and accept your Government Entity settlement offer, please carefully review all of the accompanying documents, and then do ALL of the following:

1. An individual authorized by law to enter into settlement agreements on behalf of the Government Entity should sign the accompanying "Government Entity Release of All Claims" ("Release").



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2. That same authorized individual should sign this letter where indicated below.

Please return BOTH signed documents as soon as possible. **You must return ALL PAGES of BOTH documents** so that the processing of your claim will not be delayed.

A. Effect of Signing the Release

Please keep in mind that by its authorized representative signing the Release, the Government Entity is agreeing to accept the settlement money offered by JLI through the Settlement Program and, in exchange, is giving up its right to a trial against JLI and the other Released Parties.¹ Of course, trial is risky because the Government Entity could win or lose its case. If the Entity goes to trial, the jury could award it more, less, or no money against JLI. In addition, even if the Entity is successful at trial, JLI always has the right to appeal any jury award. The appeal process may take anywhere from two to three years to complete and would result in additional costs and expenses in the Entity's case. Any money awarded by the jury would not be paid to the Entity until the appeal process is complete and only if a finding has been made in the Entity's favor. Further, an appeal could also result in a judgment in the Entity's favor being set aside entirely, or a new trial could be ordered, meaning that the entire time-consuming, risky, and expensive litigation process would start over again.

Please note that the Release is a full and final release of ALL claims the Government Entity currently has, or may have in the future, against JLI and the other Released Parties "concerning and/or connected with JUUL Products and/or with any injury [the Government Entity] has ever claimed, or may at any time in the future claim, the Released Parties [including JLI] caused in whole or in part concerning and/or connected with JUUL Products." Please also note that, pursuant

to the terms of the Release and the Settlement Agreement, the executed Release becomes effective concurrent with JLI's payment of the Initial Government Entity Settlement Amount described in the accompanying "Description of Confidential Settlement Agreement."

B. The Government Entity's Net Settlement Offer Amount

As indicated at the outset of this letter, the *net* settlement amount the Government Entity will receive will be the gross settlement amount after deductions for attorneys' fees, case costs, and the court-ordered Common Benefit Expense assessment. In addition, any liens that may exist on the Government Entity's Settlement Funds must be satisfied and discharged by the Government Entity before any Settlement Funds can be released to the Entity.

¹ Paragraph 10 of the enclosed Release sets out all of the Released Parties.



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The Government Entity's *gross* settlement offer amount was determined by an allocation method and group of objective factors approved by the court-appointed Mediator. The accompanying "JUUL School District Allocation Approach" document and the "Final Allocation: School Districts and Regional Education Agencies" document describe in detail those factors and the allocation methodology. Please feel free to contact us if you have any questions about how the settlement offer value for your Government Entity was determined.

C. When the Government Entity Should Expect to Receive Its Initial Settlement Payment

As explained in the accompanying "Description of Confidential Settlement Agreement," JLI's Initial Settlement Payment into the Government Entity Settlement Trust Account will be paid within 45 days of the federal MDL Court's Final Approval of the proposed class action settlement against JLI involving economic loss claims by consumers who said they overpaid for JUUL's vaping products. On January 20, 2023, Judge Orrick granted preliminary approval of that proposed settlement. In an Order issued on January 30, 2023, Judge Orrick scheduled for August 9, 2023, the Final Approval Hearing on the proposed class action settlement. Thus, assuming Judge Orrick grants Final Approval of the class action settlement, JLI's Initial Settlement Payment into the Government Entity Settlement Trust Account would be made sometime after September 25, 2023.

The best way to ensure that your School District receives its initial settlement payment as quickly as possible is to promptly review, sign, and return the Release and this letter, after you carefully review all of the accompanying documents. We will keep you apprised of any developments that may affect the timing of Judge Orrick's grant of final approval of the class action settlement and, thus, the anticipated date of JLI's Initial Settlement Payment to Government Entities.

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Again, if you choose to follow our strong recommendation and accept your Government Entity settlement offer, please have an authorized official sign BOTH the Release and this letter where indicated and return all pages of BOTH executed documents to us as soon as possible.

If you have questions about any aspects of this aggregate Government Entity Settlement, this letter, the Release, or any of the accompanying documents, feel free to contact me at 502-649-5226.

Sincerely,

Ron Johnson

RONALD E. JOHNSON, JR.

REJ/am



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READ AND AGREED:

I am an official of the Government Entity on whose behalf I am acting and affirm that I am authorized by law to enter into settlement agreements on behalf of the Government Entity. I affirm that any and all processes required by law for me to enter into a settlement agreement on behalf of the Government Entity have been followed. I affirm that I have read and understand this letter, the Release, and the accompanying disclosure documents, and I am consenting on behalf of the Government Entity to the terms of the aggregate settlement and the settlement offer described in this letter, the Release, and the accompanying documents.

Printed Name

Date

Title within Government Entity

Signature