

SUMMONS (CITACION JUDICIAL)

FOR COURT USE ONLY
(SOLO PARA USO DE LA CORTE)

**NOTICE TO DEFENDANT:
(AVISO AL DEMANDADO):**

ADAM BOWEN, JAMES MONSEES, NICHOLAS J. PRITZKER,
[Additional Parties Attachment Form is attached]

**YOU ARE BEING SUED BY PLAINTIFF:
(LO ESTÁ DEMANDANDO EL DEMANDANTE):**

DANIEL GROVE, on behalf of himself and all others similarly situated
and derivatively on behalf of JUUL LABS, INC.,

NOTICE! You have been sued. The court may decide against you without your being heard unless you respond within 30 days. Read the information below.

You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response at this court and have a copy served on the plaintiff. A letter or phone call will not protect you. Your written response must be in proper legal form if you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money, and property may be taken without further warning from the court.

There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may want to call an attorney referral service. If you cannot afford an attorney, you may be eligible for free legal services from a nonprofit legal services program. You can locate these nonprofit groups at the California Legal Services Web site (www.lawhelpcalifornia.org), the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), or by contacting your local court or county bar association. **NOTE:** The court has a statutory lien for waived fees and costs on any settlement or arbitration award of \$10,000 or more in a civil case. The court's lien must be paid before the court will dismiss the case. **¡AVISO!** Lo han demandado. Si no responde dentro de 30 días, la corte puede decidir en su contra sin escuchar su versión. Lea la información a continuación.

Tiene 30 DÍAS DE CALENDARIO después de que le entreguen esta citación y papeles legales para presentar una respuesta por escrito en esta corte y hacer que se entregue una copia al demandante. Una carta o una llamada telefónica no lo protegen. Su respuesta por escrito tiene que estar en formato legal correcto si desea que procesen su caso en la corte. Es posible que haya un formulario que usted pueda usar para su respuesta. Puede encontrar estos formularios de la corte y más información en el Centro de Ayuda de las Cortes de California (www.sucorte.ca.gov), en la biblioteca de leyes de su condado o en la corte que le quede más cerca. Si no puede pagar la cuota de presentación, pida al secretario de la corte que le dé un formulario de exención de pago de cuotas. Si no presenta su respuesta a tiempo, puede perder el caso por incumplimiento y la corte le podrá quitar su sueldo, dinero y bienes sin más advertencia.

Hay otros requisitos legales. Es recomendable que llame a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de remisión a abogados. Si no puede pagar a un abogado, es posible que cumpla con los requisitos para obtener servicios legales gratuitos de un programa de servicios legales sin fines de lucro. Puede encontrar estos grupos sin fines de lucro en el sitio web de California Legal Services, (www.lawhelpcalifornia.org), en el Centro de Ayuda de las Cortes de California, (www.sucorte.ca.gov) o poniéndose en contacto con la corte o el colegio de abogados locales. **AVISO:** Por ley, la corte tiene derecho a reclamar las cuotas y los costos exentos por imponer un gravamen sobre cualquier recuperación de \$10,000 ó más de valor recibida mediante un acuerdo o una concesión de arbitraje en un caso de derecho civil. Tiene que pagar el gravamen de la corte antes de que la corte pueda desechar el caso.

The name and address of the court is:
(El nombre y dirección de la corte es):

Superior Court of California, County of San Francisco
400 McAllister Street, San Francisco, California 94102

CASE NUMBER:
(Número del Caso)

20-582059

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:

(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):
BOTTINI & BOTTINI, INC., 7817 Ivanhoe Ave., Suite 102, La Jolla, CA 92037 (858) 914-2001

DATE: JAN 07 2020
(Fecha)

CLERK OF THE COURT

Clerk, by
(Secretario)

, Deputy
(Adjunto)

(For proof of service of this summons, use Proof of Service of Summons (form POS-010).
(Para prueba de entrega de esta citación use el formulario Proof of Service of Summons, (POS-010)).



NOTICE TO THE PERSON SERVED: You are served

1. ☐ as an individual defendant.
2. ☐ as the person sued under the fictitious name of (specify):

3. ☐ on behalf of (specify):

- under: ☐ CCP 416.10 (corporation) ☐ CCP 416.60 (minor)
☐ CCP 416.20 (defunct corporation) ☐ CCP 416.70 (conservatee)
☐ CCP 416.40 (association or partnership) ☐ CCP 416.90 (authorized person)
☐ other (specify):

4. ☐ by personal delivery on (date):

BY FAX

SHORT TITLE:

Grove v. Bowen, et al.

CASE NUMBER:

CCC-20-582059

INSTRUCTIONS FOR USE

- This form may be used as an attachment to any summons if space does not permit the listing of all parties on the summons.
- If this attachment is used, insert the following statement in the plaintiff or defendant box on the summons: "Additional Parties Attachment form is attached."

List additional parties (Check only one box. Use a separate page for each type of party.):

☐ Plaintiff ☒ Defendant ☐ Cross-Complainant ☐ Cross-Defendant

K.C. CROSTHWAITE, GUY CARTWRIGHT, JARED FIX, GERALD F. MASOUDI, KEVIN BURNS, TIMOTHY DANAHER, DOES 1-25, and JUUL LABS, INC., a Delaware corporation.

Page _____ of _____

Page 1 of 1

1 BOTTINI & BOTTINI, INC.
Francis A. Bottini, Jr. (SBN: 175783)
2 Yury A. Kolesnikov (SBN: 271173)
7817 Ivanhoe Avenue, Suite 102
3 La Jolla, California 92037
Telephone: (858) 914-2001
4 Facsimile: (858) 914-2002

5 *Counsel for Plaintiff Daniel Grove*
6
7
8

FILED
San Francisco County Superior Court

JAN 07 2020

CLERK OF THE COURT
BY: *Chalene Johnson*
Deputy Clerk

9
10
11 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
12 **FOR THE COUNTY OF SAN FRANCISCO**

13 DANIEL GROVE, on behalf of himself and all
14 others similarly situated and derivatively on
15 behalf of JUUL LABS, INC.,

16 Plaintiff,

17 vs.

18 ADAM BOWEN, JAMES MONSEES,
NICHOLAS J. PRITZKER, K.C.
19 CROSTHWAITE, GUY CARTWRIGHT,
20 JARED FIX, GERALD F. MASOUDI, KEVIN
21 BURNS, TIMOTHY DANAHER, and DOES 1-
22 25,

23 Defendants,

24 - and -

25 JUUL LABS, INC., a Delaware corporation,
26 Defendant and Nominal Defendant.
27
28

Case No. **CGC-20-582059**
Class Action

**SHAREHOLDER CLASS ACTION AND
DERIVATIVE COMPLAINT FOR
BREACH OF FIDUCIARY DUTY,
AIDING AND ABETTING BREACH OF
FIDUCIARY DUTY, VIOLATION OF
CAL. CORP. CODE § 1601 ET SEQ.,
UNJUST ENRICHMENT, ABUSE OF
CONTROL, AND DECLARATORY
AND INJUNCTIVE RELIEF**

DEMAND FOR JURY TRIAL

BY FAX

1 Plaintiff Daniel Grove, by his attorneys, alleges the following on information and belief, except
2 as to the allegations specifically pertaining to Plaintiff, which are based on personal knowledge.

3 NATURE AND SUMMARY OF THE ACTION

4 1. Plaintiff brings this class action on behalf of the minority stockholders of JUUL Labs,
5 Inc. ("JUUL" or the "Company") against JUUL and its Board of Directors (the "Board" or the
6 "Individual Defendants") for breach of fiduciary duty, aiding and abetting breach of fiduciary duty,
7 violation of Cal. Corp. Code § 1601 *et seq.*, unjust enrichment, abuse of control, and declaratory as well
8 as injunctive relief. Defendants' actions are substantially unfair to JUUL's minority shareholders and
9 have caused and will continue to cause significant damage to the Company and its shareholders.

10 2. JUUL designs, manufacturers, and markets electronic cigarettes and vaping products
11 that are not approved by the Food and Drug Administration ("FDA").

12 3. The Company's officers and directors have abused their control of the Company to
13 benefit themselves personally to the detriment of the Company's minority shareholders and have
14 engaged in self-dealing and treated the minority shareholders disparately.

15 4. At the same time, the Defendants have breached their fiduciary duties and violated
16 California law by failing to provide financial information, annual reports, and other basic information to
17 the minority shareholders, thus inhibiting their ability to discover the true worth of their stock.

18 5. After negotiating a \$12.8 billion investment in the Company by Altria, Defendants paid
19 themselves a special dividend/bonus, thus taking substantial liquidity out of the Company that could
20 have been used for corporate purposes, but did not pay a dividend/bonus to all shareholders and usurped
21 for themselves a disproportionate amount of the dividend/bonus. Additionally, the Defendants have
22 treated the minority shareholders unfairly by imposing restrictions on their sale of Company stock –
23 restrictions which do not apply to the Defendants or which they are free to waive due to their control of
24 the Company.

25 6. Moreover, both before and after disbursement of the special dividend/bonus, the
26 Defendants engaged in substantial wrongdoing, mismanagement, and breaches of fiduciary duty that
27 resulted in an enormous decrease in the valuation of the Company, from \$38 billion a year ago to just
28

1 \$19 billion or less now. Indeed, Defendants' breaches of fiduciary duty were so severe that *Altria was*
2 *forced to write-down the value of its \$12.8 billion investment by \$4.5 billion in less than a year.*

3 7. The Defendants' conduct represents a continuing course of conduct.

4 8. The Defendants' conduct is plagued by substantial conflicts of interest, and Defendants
5 have abused their power and control for their own benefit and to the detriment of both the Company and
6 its minority shareholders. The Defendants have also interfered with the voting rights of Plaintiff, which
7 gives rise to direct claims.

8 9. JUUL is headquartered in San Francisco, California. JUUL is an electronic
9 cigarette company that designs, manufactures, and distributes the JUUL e-cigarette, which
10 packages nicotine salts from leaf tobacco into one-time use cartridges. Since its founding in 2015, the
11 Company's JUUL e-cigarette has become the most popular e-cigarette in the United States.

12 10. JUUL is a private, not public, company. However, because their stock is not publicly-
13 traded, and JUUL does not file its financial statements with the SEC, information about its financial
14 results and the stock's value is not publicly available.

15 11. In recent years, Defendants, as Board members and senior executives, have
16 compounded the informational disparity that exists between the Company and its minority shareholders
17 by failing to hold annual meetings of shareholders, failing to provide minority shareholders with annual
18 reports or other financial information, and by paying special dividends on the stock to themselves which
19 are not paid to all shareholders.

20 12. As majority and controlling shareholders, Defendants owe fiduciary duties to Plaintiff
21 and other minority shareholders to refrain from engaging in self-dealing and to ensure that minority
22 shareholders are treated fairly. In any transaction in which Defendants derive a personal financial
23 benefit, Defendants' conduct is subject to the exacting entire fairness standard, pursuant to which
24 Defendants have the burden of demonstrating entire fairness to the minority shareholders, including fair
25 dealing and fair price. The Individual Defendants owe fiduciary duties to the minority stockholders of
26 the Company. Because the Defendants' conduct threatens irreparable harm to the Company's minority
27 shareholders, Plaintiff seeks declaratory and injunctive relief as well as damages.

13. The members of the Company's Board are not independent and have abdicated their fiduciary duties. Instead of complying with their fiduciary duties and protecting the Company and its minority shareholders, they have entered into transactions which benefit themselves disproportionately at the expense of the Company and minority shareholders. In addition to the minority shareholders being directly harmed, as alleged herein, the Company has also been harmed. Due to Defendants' bad faith conduct and breaches of the duty of loyalty, the Company has been subjected to investigations by the United States government and several state attorneys general, including a federal criminal probe in San Francisco. Moreover, as noted *supra*, the Company's valuation has been decimated by over \$19 billion.

14. In pursuing their unlawful plan to benefit themselves personally at the expense of the minority shareholders, and refusing to act in good faith and in accordance with the fiduciary duties owed to the Company and its minority shareholders, Defendants violated and continue to violate applicable law by directly breaching and/or aiding and abetting the other Defendants' breaches of their fiduciary duties of loyalty, due care, independence, good faith, and fair dealing.

JURISDICTION AND VENUE

15. This Court has personal jurisdiction over JUUL because it has committed the acts complained of herein in this State and in this County, and is headquartered in California.

16. This Court has personal jurisdiction over JUUL for the additional reason that it has engaged in systematic and continuous contacts with this State and this County by, *inter alia*, regularly conducting and soliciting business in this State and this County, and deriving substantial revenue from products and/or services provided to persons in this State and this County.

17. Venue is proper in this Court because the conduct at issue took place and has effect in this County, and because several of the Defendants reside in this County.

18. The Company's headquarters and principal place of business are located at 560 20th Street, San Francisco, CA 94107.

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/ / /

THE PARTIES

19. Plaintiff Daniel Grove is a current shareholder of JUUL Labs, Inc. and has continuously owned JUUL stock at all relevant times. Plaintiff is a resident and citizen of California.

20. Defendant and Nominal Defendant JUUL Labs, Inc. is a Delaware corporation with its principal place of business at 560 20th Street, San Francisco, CA 94107. Upon information and belief, JUUL has approximately 1500 employees and revenues of approximately \$2 billion per year.

21. Defendant ADAM BOWEN (“Bowen”) is the Chief Technology Officer, a co-founder, and a member of the Board of JUUL. Bowen has been an officer & director of the Company at all relevant times. Bowen has used his control of the Company to allow himself to sell over \$500 million of the Company’s stock since the Company was founded. Defendant Bowen lives in San Mateo, California and is a resident and citizen of California.

22. Defendant JAMES MONSEES (“Monsees”) is the Chief Product Officer, a co-founder, and a member of the Board of Directors of JUUL. Monsees has been an officer and director of the Company at all relevant times. Monsees has used his control of the Company to allow himself to sell over \$500 million of the Company’s stock since the Company was founded. Monsees is a resident and citizen of San Francisco, California.

23. Defendant NICHOLAS J. PRITZKER is a Director of JUUL, and has been at all relevant times. Pritzker is a resident of San Francisco, CA.

24. Defendant K.C. CROSTHWAITE (“Crosthwaite”) is the Chief Executive Officer of JUUL. Crosthwaite has been an officer of the Company at all relevant times.

25. Defendant GUY CARTWRIGHT (“Cartwright”) is the Chief Financial Officer of JUUL. Cartwright has been an officer of the Company at all relevant times.

26. Defendant JARED FIX (“Fix”) is the Chief Commercial Officer of JUUL, and has been since November 2019. Fix was Chief Strategy Officer of JUUL from October 2018 to November 2019, and has been an officer of the Company at all relevant times. Fix is a resident and citizen of San Francisco, California.

27. Defendant GERALD F. MASOUDI (“Masoudi”) is the Chief Legal Officer of JUUL. Masoudi has been an officer of the Company at all relevant times.

28. Defendant KEVIN BURNS (“Burns”) was the Chief Executive Officer of JUUL from December 2017 to September 2019. Burns has been an officer of the Company at relevant times. Defendant Burns is a resident and citizen of California.

29. Defendant TIMOTHY DANAHER (“Danaher”) was the Chief Financial Officer and Corporate Secretary of JUUL from October 2014 to October 2019. Danaher has been an officer of the Company at relevant times.

30. The Defendants named in ¶¶ 21-29 are sometimes referred to herein as Individual Defendants.

31. The true names and identities, whether individual, associate or corporate, of the Defendants sued herein as Does 1 through 25 inclusive, and the full nature and extent of the participation of the said Doe Defendants in the activities and conduct on which this action is based, are presently unknown to Plaintiff. Plaintiff prays for leave to amend to allege the true names and identities, and the extent of participation in the wrongful activities and conduct, when the same shall become known.

CLASS ACTION ALLEGATIONS

32. Plaintiff brings this action as a class action, pursuant to California Code of Civil Procedure § 382 on behalf of all minority stockholders of the Company (except the Defendants herein and any person, firm, trust, corporation, or other entity related to, or affiliated with, any of the Defendants and their successors in interest), who are or will be threatened with injury arising from Defendants' actions as more fully described herein (the "Class").

33. This action is properly maintainable as a class action because:

(a) The Class is so numerous that joinder of all members is impracticable. There are thousands of shares of the Company's common stock outstanding owned by hundreds, if not thousands, of JUUL stockholders;

(b) There are questions of law and fact which are common to the Class including, *inter alia*, the following: (i) whether the Individual Defendants have breached their fiduciary and other common law duties owed by them to Plaintiff and the other members of the Class; (ii) whether Plaintiff and the Class are being provided with all material information regarding their investments in JUUL

1 stock; (iii) whether the Individual Defendants are pursuing a scheme and course of business designed to
2 eliminate the public minority stockholders of the Company in violation of their fiduciary duties in order
3 to enrich themselves at the expense and to the detriment of Plaintiff and the other minority stockholders
4 who are members of the Class; and (iv) whether the Class is entitled to declaratory and injunctive relief,
5 as well as damages, as a result of Defendants' wrongful conduct;

6 (c) Plaintiff is committed to prosecuting this action and has retained competent
7 counsel experienced in litigation of this nature;

8 (d) The claims of Plaintiff are typical of the claims of other members of the Class
9 and Plaintiff has the same interests as the other members of the Class. Plaintiff will fairly and
10 adequately represent the Class;

11 (e) Defendants have acted in a manner which affects Plaintiff and all members of the
12 Class alike, thereby making appropriate injunctive relief and/or corresponding declaratory relief with
13 respect to the Class as a whole; and

14 (f) The prosecution of separate actions by individual members of the Class would
15 create a risk of inconsistent or varying adjudications with respect to individual members of the Class
16 which would establish incompatible standards of conduct for Defendants, or adjudications with respect
17 to individual members of the Class which would, as a practical matter, be dispositive of the interests of
18 other members not parties to the adjudications or substantially impair or impede their ability to protect
19 their interests.

20 **DEFENDANTS' FIDUCIARY DUTIES**

21 34. In accordance with their duties of loyalty, care and good faith, the Individual
22 Defendants, as officers and directors of JUUL, are obligated to refrain from:

23 (a) taking any action that adversely affects the value offered to the corporation's
24 shareholders;

25 (b) participating in any transactions where the officers or directors' loyalties are
26 divided;

1 (c) participating in any transactions where the officers or directors receive or are
2 entitled to receive a personal financial benefit not equally shared by the minority shareholders of the
3 corporation; and/or

4 (d) unjustly enriching themselves at the expense or to the detriment of the minority
5 shareholders.

6 35. Plaintiff alleges herein that the Individual Defendants and JUUL, separately and
7 together, are violating the fiduciary duties owed to Plaintiff and the other minority shareholders of
8 JUUL, including their duties of loyalty, good faith and independence, insofar as they stand on both
9 sides of the transaction and are engaging in self-dealing and obtaining for themselves personal benefits,
10 including personal financial benefits, not shared equally by Plaintiff or the Class.

11 36. Because the Individual Defendants are breaching and have breached their duties of
12 loyalty, good faith and independence, Defendants' conduct is subject to the "entire fairness" standard of
13 review and Defendants have the burden of proving the inherent or entire fairness of the challenged
14 transactions.

15 **FRAUDULENT CONCEALMENT AND EQUITABLE TOLLING**

16 37. During the relevant period, Plaintiff did not discover and could not have discovered,
17 through the exercise of due diligence, Defendants' breaches of their fiduciary duties or their violations
18 of California law because Defendants did not disclose, and actively concealed, their conduct.

19 38. Plaintiff was unaware of and had no knowledge of Defendants' unlawful conduct.

20 39. Plaintiff could not have discovered Defendants' breaches of fiduciary duties and
21 violations of law prior to filing suit because Defendants made absolutely no disclosure of their conduct,
22 and failed to provide minority shareholders such as Plaintiff with annual reports or other information
23 about JUUL during the relevant period. The only way Plaintiff discovered some of Defendants'
24 wrongful conduct was through media reports which surfaced in the fall of 2019 disclosing a federal
25 criminal investigation of the Company. *See, e.g.,* Makena Kelly, "Juul Is Under Criminal Investigation
26 by Federal Prosecutors," THE VERGE, Sept. 23, 2019.

27 40. Defendants not only failed to disclose any information whatsoever that would have
28 allowed Plaintiff, exercising due diligence, to discover the unlawful conduct, but Defendants also

1 intentionally concealed and attempted to disguise the unlawful conduct to avoid detection by the
2 Company's minority shareholders.

3 SUBSTANTIVE ALLEGATIONS

4 41. JUUL designs, manufacturers, and markets electronic cigarettes and vaping products.
5 The Company was spun off from a vaping startup called Pax Labs in 2017. The JUUL device, which
6 resembles a USB flash drive, delivers a powerful dose of nicotine in a salt solution that smokers say
7 closely mimics the feeling of inhaling cigarettes. The JUUL liquid's 5% nicotine concentration is higher
8 than most other commercially available e-cigarettes. JUUL flavors originally included "Creme Brulee"
9 and "Fruit Medley," which critics have said make it more attractive to minors.

10 42. The JUUL system is comprised of two components: (i) a vaporizer device and (ii)
11 disposable pods that are prefilled with a proprietary mixture of vaporizer carriers, nicotine salt extracts,
12 and flavoring (together, "e-liquid"). When a user inserts a pod into the device and inhales using the
13 mouthpiece, the device rapidly heats the e-liquid, aerosolizing it to allow the user to inhale a puff of the
14 vaporized e-liquid. The labels for both the JUUL e-cigarette and pods contain California Proposition 65
15 warnings that the product contains a substance known to cause cancer.

16 43. However, the labels contain no warnings about the potential dangers of using JUUL
17 products, including long-term effects of vaping and inhaling nicotine salts and flavored chemicals on
18 the pulmonary, neurological, and cardiovascular systems. JUUL Labs, Inc. owns and operates
19 juullabs.com and juulvapor.com where it markets, advertises, and sells e-cigarettes and pods.

20 44. JUUL is a controlled company, with Defendants controlling the voting stock in the
21 Company. The Defendants thus owe the Company and its minority shareholders fiduciary duties.

22 45. Plaintiff is one of those minority shareholders. Plaintiff currently owns approximately
23 5,000 shares of JUUL stock.

24 46. Because JUUL was and is a private company, not a publicly-traded company, there is
25 no regular or efficient market for the sale of the stock.

26 47. JUUL is headquartered in California, and is thus required to comply with certain
27 provisions of the California Corporations Code, including the obligation to hold annual meetings and
28 provide annual reports. It has failed to do so.

48. JUUL was previously known as Pax Labs. On June 1, 2015, Pax Labs launched its JUUL vaping device at a launch party in New York City. A trove of images collected by Stanford researchers suggested that the campaign focused on a young audience. Guests were invited to try JUUL's products free and share selfies on social media, Business Insider reported. "Juul's launch campaign was patently youth-oriented," Robert Jackler, a practicing Stanford physician who was the principal investigator behind the tobacco-image collection, told a reporter with Business Insider.¹

49. After the launch party in NYC, JUUL devices gained popularity. Sales rose 700% in 2016.

50. Juul's products have become immensely popular among teenagers, raising concerns among the public health community that long-term declines in youth nicotine use are being reversed. An October 2018 study of 13,000 Americans found that 9.5% of teenagers aged 15–17 and 11% of young adults aged 18–21 currently use JUUL, and that teenagers age 15–17 are 16 times more likely to be JUUL users than 25–34 year olds. JUUL use is also very popular among middle school and high school students; with one in five students between 12 and 17 having seen a JUUL used in school. Teenagers use the verb "Juuling" to describe their use of JUUL.

51. The Individual Defendants caused JUUL to enlist the services of social media "influencers"— social media personalities with large followings — to promote JUUL's products.

52. Stanford University's investigation culminated in a report dated Jan. 31, 2019 entitled "JUUL Advertising Over its First Three Years on the Market" which included the following conclusion: "JUUL's advertising imagery in its first 6 months on the market was patently youth oriented. For the next 2 ½ years it was more muted, but the company's advertising was widely distributed on social media channels frequented by youth, was amplified by hashtag extensions, and catalyzed by compensated influencers and affiliates." The Stanford Report analyzed JUUL's marketing campaign between its launch in 2015 and fall 2018. The researchers scrutinized thousands of social media posts

¹ See Erin Brodwin, "The precarious path of e-cig startup Juul: From Silicon Valley darling to \$24 billion behemoth under criminal investigation," THE BUSINESS INSIDER, Oct. 31, 2019, available at <https://www.businessinsider.com/juul-timeline-from-startup-to-tobacco-company-challenges-bans-2019-9>.

1 (Instagram, Facebook, Twitter), emails to consumers, and ads (including internet-based ads JUUL has
2 since deleted). Matt Myers, president of the Campaign for Tobacco-Free Kids observed: "It's
3 impossible to review the data [in the Stanford paper] and conclude anything other than the marketing is
4 the major reason this product became so popular among young people." As Massachusetts Attorney
5 General Maura Healey said regarding her office's investigation into JUUL's marketing campaign: "This
6 is about getting kids to start vaping, and make money and have them as customers for life."

7 53. As Stanford's Report found:

8 JUUL has employed influencers – social media users with sizable followings
9 recruited to increase brand awareness and to inspire sales. Confirming that
10 JUUL used influencers since its inception was a June 2015 listing for an
11 Influencer Marketing Intern. The job description makes clear: "The Influencer
12 Marketing Intern will create and manage blogger, social media and celebrity
13 influencer engagements ... to build and nurture appropriate relationships with
14 key influencers in order to drive positive commentary and recommendations
15 through word of mouth and social media channels, etc."

16 Influencers are a form of paid promotion. For example, an influencer may
17 earn \$1000 for each 100,000 followers. A particularly well-documented example
18 is that of DonnySmokes (Donny Karle, age 21), whose JUUL "unboxing"
19 YouTube video garnered some 52,000 views. With 120,000 subscribers on his
20 YouTube channel, Mr. Karl was able to earn a good income stream from vapor
21 companies before YouTube interrupted his channel. In October 2018, JUUL's
22 website still requests applications to "Join the JUUL Influencers."²

23 54. On July 1, 2017, Defendants Monsees and Bowen spun out JUUL Labs as an
24 independent company and named former Pax Labs CEO Tyler Goldman CEO. Defendants Monsees and
25 Bowen sought to make JUUL's products successful by increasing the nicotine level of e-cigarettes,
26 which previously had not caught on with smokers due to lower nicotine delivery levels.

27 55. By November 2017, Juul reported that it had sold 1 million units. The company also
28 captured a third of the e-cigarette market, according to Nielsen data. The JUUL vaping device had
become the best-selling e-cigarette device on the market.

56. On Dec. 11, 2017, CEO Tyler Goldman left JUUL. The Company replaced him with
Defendant Kevin Burns.

²See Stanford Report at 19-20, available at
http://tobacco.stanford.edu/tobacco_main/publications/JUUL_Marketing_Stanford.pdf.

1 57. From the beginning, the Individual Defendants were well aware that the Company's
2 products would be subject to significant regulations and scrutiny, and eventually be subject to FDA
3 rules and regulations. As the officers and directors of the Company, the Individual Defendants thus had
4 a heightened fiduciary duty to ensure the Company's compliance with all applicable rules and
5 regulations. They understood that increased governmental scrutiny or regulation of the Company's
6 products could be very detrimental to the Company. As smokers themselves, Defendants Monsees and
7 Bowen were well aware of the health risks of smoking and e-cigarettes.

8 58. In May 2016, the FDA issued a final rule, effective August 8, 2016, that deemed
9 electronic nicotine delivery systems — which includes e-cigarettes and the nicotine juices they use —
10 subject to the FDA's regulatory authority. Under the rule, years of regulatory and legislative
11 requirements in place for combustible cigarettes became applicable to e-cigarettes. Those regulations
12 included, among other things, that new tobacco products could be marketed only after FDA review.

13 59. The FDA gave JUUL and other e-cigarette manufacturers until 2022 to submit a
14 premarket tobacco application. After public health and medical groups, including the American
15 Academy of Pediatrics, filed suit, Judge Grimm in the United States District Court for the District of
16 Maryland ordered the FDA to move up the deadline to May 2020.

17 60. In response to mounting criticism and pressure, in November 2018, JUUL announced
18 that it "stopped accepting retail orders for our Mango, Fruit, Crème, and Cucumber JUUL pods to the
19 over 90,000 retail stores that sell our product." But, until recently, JUUL continued selling those flavors
20 on its website and continued selling the highly-popular Mint flavor in retail stores. An April 2018
21 survey indicated that JUUL's "cool" mint flavor was the third-most popular flavor amongst JUUL users
22 aged 12-17.

23 61. Defendants told the Company's employees and investors that JUUL's vaping products
24 were safer than traditional cigarettes, and that JUUL sought to take away market share from "Big
25 Tobacco" by developing its alternative products. The Company's employees and investors were thus
26 shocked when Defendants orchestrated a massive investment in the Company by Altria Group, Inc.
27 ("Altria") of \$12.8 billion in December 2018 for a 35% stake in the Company. Based on this
28 investment, JUUL was valued at \$38 billion in December 2018.

1 62. On April 3, 2019, the FDA announced an investigation into 35 cases of people suffering
2 seizures after “vaping.” On August 29, 2019, the Wall Street Journal reported that the U.S. Federal
3 Trade Commission was investigating whether JUUL used marketing practices to appeal e-cigarettes to
4 minors. Several other federal and state investigations into health risks of vaping, as well as JUUL’s
5 marketing practices, are ongoing.

6 63. In June of 2019, San Francisco became the first major city to ban the sale and
7 distribution of e-cigarettes that have not undergone pre-market review by the FDA. Juul’s e-cigarettes
8 have not undergone that review. San Francisco City Attorney Dennis Herrera said the ban is a step
9 toward preventing “another generation of San Francisco children from becoming addicted to nicotine.”

10 64. In response, the Individual Defendants caused JUUL to contribute more than \$18
11 million to a ballot initiative to overturn the ban. As criticism of JUUL’s actions grew, JUUL abruptly
12 ended its support of the initiative in September 2019, after the initiative had qualified for the ballot. In
13 early November 2019, San Franciscans voted down the JUUL-sponsored initiative. The ban is
14 scheduled to go into effect on January 1, 2020.

15 65. On July 24 and 25, 2019, the United States House of Representatives Committee on
16 Oversight and Reform held hearings at which JUUL executives and anti-tobacco witnesses testified.
17 The hearings sought to investigate “JUUL’s role in the youth nicotine addiction epidemic, marketing to
18 youth, misleading health claims, and new partnerships with traditional tobacco companies.” The
19 hearings included appearances from students and parents who testified that JUUL representatives spoke
20 at their schools, telling students that JUUL was “totally safe,” “much safer than cigarettes,” and that a
21 student “should mention JUUL to his [nicotine-addicted] friend.”

22 66. In September 2019, Michigan banned flavored e-cigarettes. Michigan Governor
23 Gretchen Whitmer ordered the ban in response to the state’s health department finding youth vaping
24 constituted a public health emergency and marketing targeting youth. Whitmer banned misleading
25 descriptions of vaping products as “clear,” “safe,” and “healthy.” “Companies selling vaping products
26 are using candy flavors to hook children on nicotine and misleading claims to promote the belief that
27 these products are safe,” Ms. Whitmer said. Bills to prohibit sales of flavored vaping products have
28 been introduced in California and Massachusetts.

1 67. On September 25, 2019, Altria announced that Philip Morris International Inc. had
2 called off a reported \$200 billion merger with Altria, reportedly due to increasing scrutiny of vaping
3 and Altria's 35% stake in JUUL.

4 68. Defendants have breached their fiduciary duties of loyalty and good faith by preferring
5 their own interests over those of the Company and taking action that has harmed the Company and its
6 minority shareholders.

7 **A. The Federal Government Alleges That Defendants Caused JUUL to Falsely**
8 **Advertise that Vaping Is Safer than Smoking Traditional Cigarettes**

9 69. On Monday, September 9, 2019, Federal health authorities alleged that JUUL
10 unlawfully marketed its electronic cigarettes as a safer alternative to smoking, and ordered the
11 Company to stop making unproven claims regarding its products.

12 70. The FDA also increased its scrutiny of a number of key aspects of JUUL's business,
13 forcing the Company to turn over documents on its marketing, educational programs and nicotine
14 formula. The FDA action increased the legal pressure on JUUL, which has recently been besieged by
15 scrutiny from state and federal officials since a recent surge in underage vaping. Federal law bans sales
16 to those under 18. The FDA has been investigating JUUL for months but had not previously taken
17 action against the Company.

18 71. In a sternly worded warning letter, the FDA flagged various claims made by JUUL
19 representatives, including that its products are "much safer than cigarettes." Currently no vaping
20 product has been federally reviewed to be less harmful than traditional tobacco products.

21 72. During Congressional testimony, Congress heard testimony from Phillip Fuhrman. By
22 the ninth grade, Phillip Fuhrman was already addicted to JUUL, as were many of his friends. Some of
23 them had reservations about using the e-cigarettes. But their concerns about vaping were quickly
24 explained away by a speaker who visited their school in April 2018 to give a presentation about mental
25 health and addiction. Fuhrman testified to Congress in July 2019 that the speaker said he was connected
26 to Juul, and told the kids that e-cigarettes were "totally safe" and that the FDA would soon announce
27 that Juul products were 99 percent safer than regular cigarettes.

1 73. These marketing techniques were common and well documented, according to Robert
2 Jackler, a researcher at Stanford who studies e-cigarette marketing. “This has been going on for years,”
3 says Jackler, who also testified at the two-day congressional hearing on e-cigarettes in July. He
4 speculates the FDA is reacting to pressure from US Representative Raja Krishnamoorthi (D-Illinois),
5 who chaired the hearing, and from Senator Dick Durbin (D-Illinois). Both Krishnamoorthi and Durbin
6 have urged the FDA to take action in recent weeks to curb the youth vaping epidemic.

7 74. On September 9, 2019, the FDA chastised JUUL for these and other scientifically
8 unsubstantiated claims that advertise e-cigarettes as “modified risk tobacco products,” suggesting they
9 are safe, relatively risk-free ways to quit smoking. Marketers can’t make those claims unless the FDA
10 has reviewed the products and agrees that the company has rigorous scientific data to back them up. In a
11 separate letter, the FDA requested JUUL turn over information about its youth marketing strategies and
12 JUUL’s use of nicotine salts.

13 75. In the past year, JUUL has tried to position its e-cigarettes as a tool to help adult
14 smokers stop smoking, using the tagline “Make the Switch.” In a separate letter to the Company, the
15 FDA said it is “concerned” that its campaign suggests “that using Juul products poses less risk or is less
16 harmful than cigarettes”.

17 76. “JUUL has ignored the law, and very concerningly, has made some of these statements
18 in school to our nation’s youth,” said FDA acting commissioner Ned Sharpless, in a statement. In a
19 letter to JUUL CEO Kevin Burns, FDA regulators said they were “troubled” by a number of other
20 points raised at the congressional hearing. The letter cites congressional testimony that JUUL’s
21 advertising “saturated social media channels frequented by underage teens,” and “used influencers and
22 discount coupons to attract new customers.”

23 77. Last year, JUUL closed down its social media sites. And under pressure, it voluntarily
24 removed its fruit and dessert flavors from retail stores.

25 78. The Individual Defendants breached their fiduciary duties by causing the Company to
26 market its products through advertisements and representations that the use of the Company’s e-
27 cigarettes and vaping devices was safer than traditional cigarettes, under circumstances where the
28 Company lacked sufficient scientific proof and studies to substantiate the claims.

1 79. Even after public health officials issued public warnings about the safety of the
2 Company's products, the Individual Defendants failed to take action to protect the Company from
3 liability and adverse government action. In March 2018, Dr. Johnathan Winickoff, the former chair of
4 the American Academy of Pediatrics Tobacco Consortium, stated that "JUUL is already a massive
5 public-health disaster and without dramatic action it's going to get much, much worse." Dr. Winickoff,
6 who is also a pediatrician at Massachusetts General Hospital and Professor at Harvard Medical School
7 also noted that: "[i]f you were to design your ideal nicotine-delivery device to addict a large numbers of
8 United States kids, you'd invent JUUL."

9 80. On April 10, 2019, the FDA Commissioner announced a possible link between seizures
10 and e-cigarette use. The FDA's statement, entitled "Some E-cigarette Users Are Having Seizures, Most
11 Reports Involving Youth and Young Adults," indicated that "The FDA has become aware that some
12 people who use e-cigarettes have experienced seizures, with most reports involving youth or young
13 adult users. The statement is available at [https://www.fda.gov/tobacco-products/ctp-newsroom/some-](https://www.fda.gov/tobacco-products/ctp-newsroom/some-e-cigarette-users-are-having-seizures-most-reports-involving-youth-and-young-adults)
14 [e-cigarette-users-are-having-seizures-most-reports-involving-youth-and-young-adults](https://www.fda.gov/tobacco-products/ctp-newsroom/some-e-cigarette-users-are-having-seizures-most-reports-involving-youth-and-young-adults), last visited Dec.
15 27, 2019.

16 81. The Individual Defendants were also aware that Israel banned the import and sale of
17 JUUL's e-cigarettes in August 2018, calling JUUL's high nicotine concentration levels "a danger to
18 public health."

19 82. As a result of the Individual Defendants' wrongdoing, the Company and its
20 shareholders have been harmed. On November 19, 2019, New York Attorney General Letitia James
21 filed a lawsuit against JUUL Labs, accusing the company of using deceptive marketing practices that
22 targeted minors and misleading consumers about the safety of its products.

23 83. The FDA has issued a warning letter to the Company.

24 84. As of December 17, 2019, the Center for Disease Control has indicated that 54 persons
25 have died from vaping-related diseases. Deaths have been recorded in the District of Columbia and in
26 27 states.

27 85. In addition, the Company has been sued by numerous consumers who have been
28 harmed due to use of the Company's products. One such case filed against the Company is *Castro v.*

1 *Juul Labs, Inc.*, Case No. 19-CIV-05786 (Superior Court for the State of California, County of San
2 Mateo), filed Sept. 30, 2019. The plaintiff asserts various common law claims against the Company for
3 failure to warn about the health risks of the Company's products. *See also Smith v. Juul Labs, Inc.*,
4 Case No. 3:19-cv-08375-WHO (N.D. Cal. Dec. 23, 2019) (same).

5 86. The Company has also been sued by several school districts (including Anaheim and
6 Compton school districts in California) which seek damages for the costs related to underage vaping.
7 *See, e.g., Mountain Grove School District v. Juul Labs, Inc.*, Case No. 3:19-cv-08402 (N.D. Cal. Dec.
8 24, 2019).³ The Mountain Grove School District complaint alleges that JUUL has unlawfully marketed
9 its products to children, and that JUUL e-cigarettes' physical design is sleek, stylish, and easily
10 concealed. In combination with JUUL's deceptive marketing, the complaint alleges that the e-
11 cigarette's design portrayed the device as a "must have" tech product, not a life-threatening nicotine-
12 delivery device. The small USB-shaped design enables users to conceal the e-cigarette or, if not
13 concealed, the device is often mistaken for a USB flash drive. The JUUL's battery indicator light also
14 gratuitously flashes in "party mode" when the user shakes the device. According to plaintiff Mountain
15 Grove School District, that feature is not necessary to the proper functioning of the device and intended
16 solely to make the product appeal to youth. The complaint also alleges that contrary to JUUL's
17 repeated representations that each JUUL pod contains nicotine "approximately equivalent to 1 pack of
18 cigarettes or 200 puffs," JUUL's products actually deliver doses of nicotine that are materially higher
19 than combustible cigarettes, with the goal of increasing nicotine addiction in consumers using the
20 product.

21 87. The Mountain Grove School District complaint also alleges that by delivering such
22 potent doses of nicotine, JUUL products magnify the health risks posed by nicotine, significantly
23 increase blood pressure, and place users at a heightened (and concealed) risk for stroke, heart attacks
24 and other cardiovascular events.

25
26
27 ³ *See also Fayette County Public Schools v. JUUL Labs, Inc. et al*, Docket No. 3:19-cv-08368
28 (N.D. Cal. Dec 23, 2019).

1 88. Prior to releasing its new version of e-cigarette and JUULpods in 2015, the Individual
2 Defendants caused JUUL to provide press outlets with information regarding the products, as well as
3 free JUUL products. Among other websites that posted articles about JUUL prior to the product release,
4 technology website TechCrunch posted a chart JUUL provided it that compares the results for two
5 versions of the JUUL device: a generic “combustion cigarette” and a generic “traditional e-liquid.”
6 According to Plaintiff Mountain Grove School District, both charts claimed that, at its peak, JUUL
7 products deliver approximately 25% less nicotine to the blood than a combustible cigarette, which
8 statement was allegedly false.⁴ The statements in JUUL’s 2015 charts misrepresented the true nicotine
9 delivered by JUUL’s products and the resulting increased risk of nicotine addiction and severe health
10 consequences resulting from high levels of nicotine consumption.

11 89. The San Francisco Unified School District has also sued JUUL Labs, Inc., asserting
12 similar claims. *See San Francisco Unified School District v. Juul Labs, Inc.*, Case No. 3:19-cv-08177
13 (N.D. Cal. Dec. 16, 2019).

14 **B. Defendants Place Transfer Restrictions on Stock Held by Minority Shareholders**
15 **But Allowed Defendants Bowen and Monsees to Sell at Least \$500 Million of Their**
16 **Stock**

17 90. When controlling shareholders or officers or directors of a company provide
18 opportunities for liquidity, they are required to provide equal opportunities for liquidity to all
19 shareholders, including minority shareholders.

20 ///

21 ///

22 ///

23 ///

24 ⁴ Plaintiff Mountain Grove School District also alleges in its complaint that JUUL further
25 misrepresented the amount of nicotine delivered by its products, including JUUL’s comparisons of
26 JUULpods to “1 pack of cigarettes or 200 puffs,” because JUUL’s nicotine salt proprietary formula
27 delivers higher concentrations of nicotine to a user’s bloodstream, resulting in JUUL’s products actually
28 having twice the nicotine level as traditional cigarettes. Defendants Monsees and Bowen had long
sought to make JUUL’s products successful by increasing the nicotine level of e-cigarettes, which
previously had not caught on with smokers due to lower nicotine delivery levels.

1 91. At JUUL, Defendants Bowen and Monsees have used their control of JUUL to cash out
2 hundreds of millions of dollars of their Company stock.⁵ Indeed, prior to this year's significant drop in
3 the value of JUUL stock, it was widely reported that Bowen and Monsees had become billionaires by
4 selling a portion of their Company stock.

5 92. Despite providing Bowen and Monsees with all the liquidity they demanded,
6 Defendants provided no similar liquidity for minority shareholders. Indeed, minority shareholders are
7 prohibited from selling their stock without Board approval, which has rarely if ever been granted.

8 93. Because the Company's stock is not publicly traded, there is no liquid market for the
9 stock.

10 94. Under corporate law, the needs of all stockholders must be considered and addressed
11 when corporate decisions are made to provide some form of liquidity. Through their disparate
12 treatment of minority shareholders, Defendants have breached their fiduciary duties of loyalty and good
13 faith and have engaged in self-dealing.

14 **C. The Board's Failure to Provide Annual Reports or Other Financial Information**
15 **to the Minority Shareholders**

16 95. The Board has further breached its fiduciary duties of candor and good faith by failing
17 to provide annual reports and financial information to the minority shareholders. Plaintiff has not
18 received any annual report or financial information from JUUL.

19 96. The Defendants' conduct represents a continuing course of misconduct.

20 **D. Defendants Negotiate a Capital Infusion From Altria, But Then Use the Money to**
21 **Pay Themselves Disproportionate Bonuses Instead of Making Necessary Capital**
22 **Expenditures**

23 97. In late 2018, JUUL announced a \$12.8 billion investment in the Company by Altria.

24 98. In reality, a major purpose for the investment was to provide liquidity and a payday for
25 Bowen, Monsees, and the other Defendants. JUUL had been founded to allegedly provide a safer

26 ⁵ See Kathleen Chaykowski, "New Altria Deal Makes Juul Cofounders Billionaires," FORBES,
27 Dec. 20, 2018 (noting that prior to Altria's investment in JUUL, Bowen and Monsees had each been
28 allowed to sell at least \$500 million in JUUL stock), available at
<https://www.forbes.com/sites/kathleenchaykowski/2018/12/20/new-altria-deal-makes-juul-cofounders-billionaires/#49f1f1f25a67>.

1 alternative to smoking traditional cigarettes, and thus the Company's employees were surprised by the
2 major alliance with "Big Tobacco." As some JUUL employees have pointed out, the Altria deal could
3 discredit the Company's proposition that it was striving to eliminate cigarettes by offering a safer
4 alternative.⁶

5 99. Defendant Burns, the Company's CEO at the time, frankly admitted that "We
6 understand the controversy and skepticism that comes with an affiliation and partnership with the
7 largest tobacco company in the U.S."⁷

8 100. After the huge investment by Altria, the Individual Defendants breached their duties of
9 loyalty by using the money disproportionately to pay themselves massive bonuses. They also failed to
10 invest sufficient capital in the Company to strengthen JUUL's internal controls, R&D, and other
11 projects, which, had they been made, would have protected the Company from the recent events that
12 resulted in lawsuits, governmental investigations, and a \$19 billion decrease in the value of the
13 Company.

14 SUBSTANTIVE UNFAIRNESS

15 101. Defendants' conduct has been, and continues to be, substantively unfair to JUUL's
16 minority shareholders.

17 102. The prior transactions between the Company and Defendants have also been
18 substantively unfair. The Defendants obtained salaries, perquisites, bonuses and other payments that
19 were obtained through mismanagement, self-dealing, and breaches of fiduciary duty. Moreover, the
20 Individual Defendants breached their fiduciary duties of candor and good faith by failing to provide
21 minority shareholders with all material information relevant to the value of JUUL stock, by failing to
22 provide minority shareholders with similar liquidity for their stock comparable to that provided to
23 Defendants, and by preferring their own interests over those of the Company. This conduct is
24 continuing and threatens irreputable harm to Plaintiff and the Class. As a result, Plaintiff seeks a

25 ⁶ See Kathleen Chaykowski, "New Altria Deal Makes Juul Cofounders Billionaires," FORBES,
26 Dec. 20, 2018, available at <https://www.forbes.com/sites/kathleenchaykowski/2018/12/20/new-altria-deal-makes-juul-cofounders-billionaires/#49f1f1f25a67>.

27 ⁷ *Id.*
28

1 preliminary injunction enjoining JUUL and the Individual Defendants from engaging in any further
2 self-dealing and an order requiring Defendants to disclose all material information about the Company
3 and Defendants' transactions to Plaintiff and the Class.

4 **PROCEDURAL UNFAIRNESS**

5 103. Defendants' continuing course of conduct is also procedurally unfair to the Company's
6 minority shareholders.

7 104. Bowen and Monsees are using their control of the Company to cause the Board to
8 rubber-stamp their self-dealing conduct. The Individual Defendants have all breached their duties of
9 good faith, candor, and loyalty by failing to provide any information to minority shareholders, including
10 failing to hold annual meetings of shareholders, failing to provide annual reports to minority
11 shareholders, and failing to provide any other financial information about the Company to minority
12 shareholders. Defendants, in stark contrast, have unfettered information about the Company and its
13 financial condition.

14 105. Due to their positions as founders, officers, and/or directors of the Company,
15 Defendants owe fiduciary duties of good faith, fair dealing, loyalty, candor, and due care to Plaintiff and
16 the other members of the Class. As described herein, the Individual Defendants are breaching those
17 fiduciary duties.

18 106. Defendants have clear and material conflicts of interest and are acting to better their
19 own interests at the expense of JUUL's minority shareholders. Defendants are engaging in self-dealing
20 and not acting in good faith toward Plaintiff and the other members of the Class.

21 **THE ENTIRE FAIRNESS STANDARD APPLIES TO DEFENDANTS' CONDUCT**

22 107. In transactions between controlling shareholders and the Company and/or its minority
23 shareholders, the entire fairness standard applies. That standard applies here because Defendants paid
24 themselves millions of dollars of bonuses after Altria's investment in the Company in 2018. Due to the
25 payments, the transactions with Altria represented self-interested transactions from which Defendants
26 have derived and continue to derive substantial personal benefits.

27 108. The entire fairness standard places the burden of proof on Defendants to affirmatively
28 demonstrate the entire fairness — both substantive fairness and procedural fairness — of the challenged

1 transactions. It is not Plaintiff's burden to demonstrate the unfairness of such transactions, although
2 such unfairness is evident from the detailed allegations set forth herein.

3 109. Because Defendants cannot demonstrate either substantive or procedural fairness to
4 their self-interested transactions, such transactions must be set aside and/or they must be ordered to pay
5 damages to Plaintiff and the Class.

6 DAMAGES TO JUUL

7 110. In addition to directly harming Plaintiff and the Class, Defendants' misconduct has also
8 harmed JUUL. Defendants used their control of JUUL to pay themselves huge bonuses when Altria
9 made its investment in the Company in 2018, which cost the Company lost opportunities from investing
10 the significant capital in higher and better uses which would have earned a return on investment. The
11 Company has been damaged because using the capital infusion by Altria to expand the resources and
12 capabilities of the Company would have helped to prevent the wrongdoing and mismanagement that has
13 led to the governmental investigations and Congressional scrutiny, all of which has resulted in a multi-
14 billion dollar decline in the value of the Company's stock.

15 111. The Defendants' mismanagement and wrongful conduct has also subjected the
16 Company to lawsuits and governmental investigations. A former senior executive of the Company,
17 Siddharth Breja, sued the Company in federal court in San Francisco, alleging that he was unlawfully
18 retaliated against after he reported concerns about the health risks to consumers due to the Company
19 shipping out vaping pods whose expiration dates had already occurred or were about to occur. He
20 alleged that Defendants Burns and Danaher, the former CEO and CFO of the Company, respectively,
21 had retaliated against him "with the full support of Juul's Board," and that Defendant Danaher had told
22 him during work meetings that any concerns about expiration dates were unfounded since "Half our
23 customers are drunk and vaping like mo-fo's, [so] who the f**k is going to notice the quality of our
24 pods." *See Breja v. Juul Labs, Inc.*, Case No. 3:19-cv-7148 (N.D. Cal.). As a result of the lawsuit,
25 JUUL has been forced to spend, and will continue to expend, significant additional money in defense
26 costs and litigation expenses.

1 112. In addition, as noted *supra*, JUUL is currently under investigation by the FDA and the
2 United States Justice Department, as a result of which the Company has already expended significant
3 attorneys' fees and costs.

4 **A DEMAND ON JUUL'S BOARD WOULD BE FUTILE, AND THUS IS EXCUSED**

5 113. Plaintiff has not made a demand on the Board to institute this action against Defendants
6 because, for the reasons detailed above and as further set forth below, any such demand would be a
7 futile and useless act.

8 114. At the time this action was filed, JUUL's Board consisted of nine members, defendants
9 Adam Bowen, James Monsees, K.C. Crosthwaite, Guy Cartwright, Jared Fix, and Gerald Masoudi as
10 well as non-parties Joanna Engelke, Monika Fahlbusch, David Dickey, and Matt David.

11 115. The facts detailed in this Complaint demonstrate that the JUUL Board is dominated and
12 controlled by Defendants Bowen and Monsees. Demand is futile where controlling shareholders own
13 voting stock of a company that allows them to control corporate actions, such as is the case with respect
14 to Bowen and Monsees. Moreover, Bowen and Monsees' control is amply demonstrated by the facts
15 alleged herein, including allowing themselves to sell at least \$500 million each of JUUL stock while
16 denying similar opportunities for liquidity to the minority shareholders.

17 116. Demand is excused as to Defendants Adam Bowen, James Monsees, K.C. Crosthwaite,
18 Guy Cartwright, Jared Fix, and Gerald Masoudi because they are not independent and objective, and are
19 completely dominated and controlled by Bowen and Monsees, who nominated them to the Board. Due
20 to their voting control, Bowen and Monsees control all corporate action.

21 117. Demand is also futile because a majority of the Board received improper personal
22 financial benefits as part of the Altria investment. The directors are thus interested and are incapable of
23 objectively considering a demand to bring suit. A pre-suit demand is therefore futile and excused.

24 118. Demand is also futile because the wrongful acts complained of in this Complaint
25 evidence a pattern of conduct showing a wholesale abandonment of Defendants' fiduciary duties.
26 These acts, and the other improper acts set forth in this Complaint, which demonstrate a pattern of
27 misconduct, were not the product of a valid or good faith exercise of business judgment, nor could they
28 have been.

1 **FIRST CAUSE OF ACTION**

2 **Direct Class Claim for Breach of Fiduciary Duty**
3 **Against the Individual Defendants and DOES 1-25**

4 119. Plaintiff repeats and realleges each allegation set forth herein.

5 120. The Individual Defendants have violated their fiduciary duties of care, loyalty, candor,
6 good faith, and independence owed to the minority shareholders of JUUL and have acted to put their
7 personal interests ahead of the interests of JUUL's shareholders.

8 121. By the acts, transactions, and courses of conduct alleged herein, the Individual
9 Defendants, individually and acting as a part of a common plan, have violated their fiduciary duties to
10 the minority shareholders of the Company.

11 122. As demonstrated by the allegations above, the Individual Defendants failed to exercise
12 the care required, and breached their duties of loyalty, good faith, candor, and independence owed to the
13 minority shareholders of JUUL because, among other reasons:

14 (a) The Individual Defendants have failed to hold annual meetings and disseminate
15 annual reports to Plaintiff and the Company's other minority shareholders, in violation of the law;

16 (b) Monsees and Bowen are attempting to coerce and intimidate the Board they
17 control into doing what they want without adequate investigation and analysis;

18 (c) the Individual Defendants' conduct has decreased the value of the Company's
19 stock by billions of dollars and the Individual Defendants are attempting to divest the minority
20 shareholders of fair value for their JUUL stock without providing any information to the minority
21 shareholders about the fair market value of their stock;

22 (d) the Individual Defendants are abdicating their fiduciary duties; and

23 (e) the Individual Defendants are failing to ensure disclosure of all material facts to
24 JUUL's minority shareholders regarding JUUL's financial results, prospects, and all material facts
25 regarding the Company and the value of their stock in the Company.

26 123. The Individual Defendants further violated their fiduciary duties by failing to recuse
27 themselves from consideration of self-interested transactions between the Company and Altria, with
28 whom they have disabling conflicts, and by failing to ensure a fair and adequate procedural and
substantive process for transactions between Altria and the Company.

1 124. Because the Individual Defendants dominate and control the business and corporate
2 affairs of JUUL, and are in possession of private corporate information concerning JUUL's assets,
3 business, and future prospects, there exists an imbalance and disparity of knowledge and economic
4 power between them and the minority shareholders of JUUL.

5 125. By reason of the foregoing acts, practices, and course of conduct, the Individual
6 Defendants have failed to exercise ordinary care and diligence in the exercise of their fiduciary
7 obligations toward Plaintiff and the other members of the Class.

8 126. As a result of the Individual Defendants' actions, Plaintiff and the Class have been and
9 will be damaged in that they have not received similar liquidity opportunities for their stock as have the
10 Individual Defendants and have been directly harmed with respect to the value of their shares of JUUL
11 common stock.

12 127. Unless enjoined by this Court, the Individual Defendants will continue to breach their
13 fiduciary duties owed to Plaintiff and the other members of the Class, and will continue to withhold
14 annual reports and financial information from minority shareholders and continue to engage in self
15 dealing, which will exclude the Class from its fair proportionate share of JUUL's valuable assets and
16 businesses, and/or benefit them in the unfair manner complained of herein, all to the irreparable harm of
17 the Class.

18 128. The Individual Defendants are engaging in self-dealing, are not acting in good faith
19 toward Plaintiff and the other members of the Class, and have breached and are breaching their
20 fiduciary duties to the members of the Class.

21 129. Plaintiff and the Class have no adequate remedy at law. Only through the exercise of
22 this Court's equitable powers can Plaintiff and the Class be fully protected from the immediate and
23 irreparable injury caused by Defendants' actions.

24 **SECOND CAUSE OF ACTION**

25 **Direct Class Claim for Aiding and Abetting Breaches of Fiduciary Duties**
26 **Against the Individual Defendants and DOES 1-25**

27 130. Plaintiff incorporates by reference and realleges each and every allegation contained
28 above, as though fully set forth herein.

131. In committing the wrongful acts alleged herein, Defendants have pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired with one another in furtherance of their common plan or design. In addition to the wrongful conduct herein alleged as giving rise to primary liability, Defendants further aided and abetted and/or assisted each other in breach of their respective duties as alleged herein.

132. The purpose and effect of Defendants' conspiracy, common enterprise, and/or common course of conduct is, among other things, to permit violations of law and breaches of fiduciary duties.

133. Defendants have accomplished their conspiracy, common enterprise and/or common course of conduct by authorizing and/or ratifying the self-dealing conduct alleged herein, by wrongfully failing to hold annual meetings and disseminate annual reports, and by causing the Company to violate the law and failing to comply with applicable laws and regulations.

134. Defendants each aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commission of the wrongdoing described of herein, they acted with knowledge of the primary wrongdoing, substantially assisted the accomplishment of that wrongdoing, and were aware of their overall contribution to and furtherance of the wrongdoing. This wrongdoing facilitated Defendants' self-interested conduct and has harmed JUUL's minority shareholders.

135. Plaintiff and the members of the Class will be irreparably injured as a direct and proximate result of the aforementioned acts, and have no adequate remedy at law.

THIRD CAUSE OF ACTION

**Direct Class Claim For an Accounting, and for Declaratory and Injunctive Relief
(Against the Individual Defendants and JUUL Labs, Inc.)**

136. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

137. Defendants have breached their fiduciary duties of good faith, candor, and loyalty by failing to hold annual meetings of shareholders, failing to provide Plaintiff and the Company's other minority shareholders with annual reports and other financial information about the Company necessary

1 for Plaintiff and the Class to determine the financial condition of the Company and fair value of their
2 shares, and other wrongful conduct, as alleged herein.

3 138. Plaintiff seeks injunctive relief in the form of an order of mandamus requiring the
4 Individual Defendants and JUUL Labs, Inc. to comply with applicable law, including the provisions of
5 the Corporations Code requiring the Company to hold annual shareholder meetings and issue annual
6 reports to the shareholders, and other appropriate relief.

7 139. Plaintiff also seeks a declaratory judgment that Defendants have breached their
8 fiduciary duties to the Company and its minority shareholders.

9 **FOURTH CAUSE OF ACTION**

10 **Direct Individual Cause of Action for Violation of California Corporations Code** 11 **§ 1601 *et seq.* Against Defendant JUUL Labs, Inc.**

12 140. Plaintiff incorporates by reference and realleges each and every allegation contained
13 above, as though fully set forth herein, except for the prior causes of action.

14 141. Plaintiff is a shareholder of record of JUUL and has been a Company shareholder at all
15 relevant times.

16 142. By lawful means, Plaintiff requested to inspect the books and records of the corporation
17 pursuant to Cal. Corp. Code § 1601, but the corporation has wrongfully refused the request. Plaintiff
18 noted a proper purpose for his inspection demand — to obtain information necessary to determine the
19 value of his JUUL stock and to investigate breaches of fiduciary duty by Defendants and the Board. A
20 true and correct copy of Plaintiff's inspection demand under Cal. Corp. Code § 1601 is attached hereto
21 as **Exhibit A** and is incorporated herein by reference.

22 143. Plaintiff seeks an order of mandamus requiring the Company to comply with its
23 obligations under Cal. Corp. Code § 1601 *et seq.*

24 144. Plaintiff also requests that, pursuant to Cal. Corp. Code § 1603, the Court “appoint one or
25 more competent inspectors or accountants to audit the books and records kept in this state and
26 investigate the property, funds and affairs of any domestic corporation or any foreign corporation
27 keeping records in this state.”

28 145. Plaintiff has no adequate remedy at law.

1 **FIFTH CAUSE OF ACTION**

2 **Derivative Claim for Breach of Fiduciary Duty**
3 **Against the Individual Defendants and DOES 1-25**

4 146. Plaintiff repeats and realleges each allegation set forth herein, except for the causes of
5 action.

6 147. The Individual Defendants owe fiduciary duties to the Company due to their positions
7 as officers, directors, and controlling shareholders of JUUL Labs, Inc.

8 148. The Individual Defendants have violated their fiduciary duties of care, loyalty, candor,
9 good faith, and independence owed to JUUL and have acted to put their personal interests ahead of the
10 interests of the Company.

11 149. By the acts, transactions, and courses of conduct alleged herein, the Individual
12 Defendants, individually and acting as a part of a common plan, have violated their fiduciary duties to
13 the Company.

14 150. As demonstrated by the allegations above, the Individual Defendants failed to exercise
15 the care required, and breached their duties of loyalty, good faith, candor, and independence owed to
16 JUUL because, among other reasons:

17 (a) the Individual Defendants' conduct has caused significant harm to the Company
18 and has decreased the value of the Company's stock by billions of dollars;

19 (b) the Individual Defendants have abdicated their fiduciary duties; and

20 (c) the Individual Defendants have grossly mismanaged the Company and caused it
21 to violate rules and regulations that are critical to the Company's operations and revenues.

22 151. The Individual Defendants further violated their fiduciary duties by failing to recuse
23 themselves from consideration of self-interested transactions between the Company and Altria and
24 misused the proceeds of the investment from Altria, siphoning off millions of dollars to themselves
25 instead of investing the capital in uses that would have strengthened the Company and prevented it from
26 violating the law and thus being exposed to the dozens of pending lawsuits against the Company.

27 152. The Individual Defendants dominate and control the business and corporate affairs of
28 JUUL, and are in possession of private corporate information concerning JUUL's assets, revenues, and
projections. The Individual Defendants, while in possession of full information about the Company,

1 consciously ignored red flags about the Company's violation of laws, and failed to cause the Company
2 to comply with critical laws, thus exposing the Company to significant lawsuits and damages.

3 153. By reason of the foregoing acts, practices, and course of conduct, the Individual
4 Defendants have failed to exercise ordinary care and diligence in the exercise of their fiduciary
5 obligations toward Plaintiff and the other members of the Class.

6 154. As a result of the Individual Defendants' actions, the Company has been damaged.

7 **SIXTH CAUSE OF ACTION**

8 **Derivative Claim for Unjust Enrichment**
9 **(Against the Individual Defendants and DOES 1-25)**

10 155. Plaintiff incorporates by reference and realleges each and every allegation contained
11 above, as though fully set forth herein, except for the causes of action.

12 156. By their wrongful acts and omissions, the Individual Defendants and DOES 1-25 were
13 unjustly enriched at the expense of and to the detriment of the Company. These defendants were
14 unjustly enriched as a result of the compensation and benefits they received while breaching fiduciary
15 duties owed to the Company. Each of these defendants received improper salaries, cash bonuses, and
16 equity and stock option grants through their employment at the Company, as alleged herein.

17 157. Plaintiff, as shareholder and representative of the Company, seeks restitution from these
18 defendants, and each of them, and seeks an order of this Court disgorging all profits, benefits, and other
19 compensation obtained by these defendants, and each of them, from their wrongful conduct and
20 fiduciary breaches.

21 158. Plaintiff, on behalf of the Company, has no adequate remedy at law.

22 **SEVENTH CAUSE OF ACTION**

23 **Derivative Claim for Abuse of Control**
24 **(Against Defendants Monsees and Bowen)**

25 159. Plaintiff incorporates by reference and realleges each and every allegation contained
26 above, as though fully set forth herein, except for the causes of action.

27 160. By virtue of their positions and financial holdings at the Company, defendants Monsees
28 and Bowen exercised control over the Company and its operations, and owed duties as controlling

1 shareholders to the Company not to use their positions of control for their own personal interests and
2 contrary to the Company's interests.

3 161. Defendants' conduct alleged herein constitutes an abuse of their ability to control and
4 influence the Company, for which they are legally responsible.

5 162. As a result of Defendants' abuse of control, the Company has sustained and will continue
6 to sustain damages and injuries for which it has no adequate remedy at law.

7 163. Because the acts of Defendants were done maliciously, oppressively, and with intent to
8 defraud, Plaintiff on behalf of the Company is entitled to punitive and exemplary damages in an amount
9 to be shown according to proof at the time of trial.

10 PRAYER FOR RELIEF

11 WHEREFORE, Plaintiff, on behalf of himself and the Class, prays for the following judgment
12 and relief:

13 A. Certifying this action as a class and derivative action and certifying Plaintiff as the Class
14 representative and his counsel as Class counsel;

15 B. Enjoining, preliminarily and permanently, the JUUL Board from approving any further
16 transactions with the Individual Defendants until such time as the Company ensures a fair and adequate
17 procedural and substantive process;

18 C. An order of mandamus requiring the Company to hold annual meetings and disseminate
19 annual reports to shareholders;

20 D. Directing that Defendants account to Plaintiff and the other members of the Class for all
21 damages caused to them and account for all profits and any special benefits obtained as a result of their
22 unlawful conduct and self-dealing;

23 E. Awarding punitive damages at the maximum amount permitted by law;

24 F. Awarding Plaintiff the costs and disbursements of this action, including a reasonable
25 allowance for the fees and expenses of attorneys and experts; and

26 G. Granting Plaintiff and the other members of the Class such other and further relief as
27 may be just and proper.
28

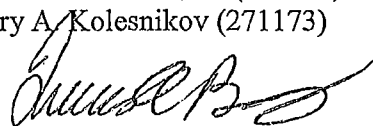
1 **JURY TRIAL DEMAND**

2 Plaintiff demands a trial by jury on all claims and issues so triable.

3 Dated: January 6, 2020

Respectfully submitted,

4 BOTTINI & BOTTINI, INC.
5 Francis A. Bottini, Jr. (175783)
6 Yury A. Kolesnikov (271173)

7 

8 Francis A. Bottini, Jr.

9 7817 Ivanhoe Avenue, Suite 102
La Jolla, California 92037

10 Telephone: (858) 914-2001

11 Facsimile: (858) 914-2002

12 *Counsel for Plaintiff Daniel Grove*

EXHIBIT A

EXHIBIT A

BOTTINI & BOTTINI, INC.

Francis A. Bottini, Jr.

writer's direct: (858) 926-2610
fbottini@bottinilaw.com

December 27, 2019

VIA U.S. Mail

Corporate Secretary
JUUL Labs, Inc.
560 20th Street
San Francisco, CA 94107

Re: *Demand for Inspection of Books and Records of Juul Labs, Inc.
Pursuant to Cal. Corp. Code §1601*

Dear Members of the Board of Directors of Juul Labs, Inc.:

We represent Daniel Grove ("Stockholder" or "Mr. Grove"), a stockholder of Juul Labs, Inc. ("Juul" or the "Company"). This letter is Mr. Grove's demand to inspect the books and records of the Company pursuant to Cal. Corp. Code §1601.

Demand for Books and Records

Stockholder seeks to obtain documents relevant to the value of his Juul Labs stock and also to investigate potential breaches of fiduciary duty in connection with alleged wrongdoing by the senior officers and directors of the Company.

The obtaining of documents relevant to the value of one's stock and to shed light on the investigation of potential corporate mismanagement or wrongdoing is a proper purpose under California law.

Pursuant to Cal. Corp. Code Section 1601 et seq., Stockholder hereby demands the right to inspect and copy the following books and records of the Company. Unless otherwise specified, the time period relating to this request is January 1, 2015 to the present:

1. A complete set of minutes of meetings of the Board of Directors of Juul Labs, Inc. and or any committee thereof and any Board Materials¹, during which any of the following was discussed:

¹ "Board Materials" as used here means all documents provided at, considered at, discussed at, or prepared or disseminated, in draft or final form, in connection with, in anticipation of, or as a result of any meeting of the Company's Board or any regular or specially created committee thereof, including, without limitation, all presentations, Board packages, recordings, agendas,

- a. The Company's financial results;
 - b. Whether to pay bonuses or dividends to the Company's employees or shareholders as part of, or subsequent to, Altria's investment in the Company;
 - c. Any actual or potential methods of providing liquidity to any shareholder, including but not limited to all documents regarding actual or potential loans to shareholders, redemption offers, stock sales, and any other type of liquidity;
 - d. The valuation of the Company's stock;
 - e. Altria's \$12.8 billion investment in Juul Labs in 2018, as well as Altria's \$4.5 billion write-down in the value of such investment announced in October 2019;
 - f. Any discussion of whether the Company's electronic cigarettes or vaping devices were safer than cigarettes;
 - g. The marketing of the Company's products;
 - h. Any discussion of health risks from electronic cigarettes or vaping;
 - i. Any actual or threatened governmental investigation into the Company or any of its products; and
 - j. Any discussions regarding a potential IPO or potential sale of the Company.
- 2. All communications between any member of the Company's Board of Directors or Section 16 executive officers and any person regarding the matters encompassed within the matters referenced above (see #1(a) – (j), *supra*);
 - 3. All communications by members of the Board, including email communications, concerning any of the topics discussed in request No. 1 above;
 - 4. Copies of director questionnaires completed by the members of the Board for each of the last five years;

preparation materials, summaries, memoranda, charts, transcripts, notes, minutes of meetings, drafts of minutes of meetings, exhibits distributed at meetings, summaries of meetings, and resolutions.

5. Documents sufficient to identify the capital structure of the Company, including all current stock and option information and number of shares outstanding.
6. A current list of the shareholders of the company and their addresses.
7. A complete set of annual reports and financial statements for the last five years.

For purposes of the foregoing demand, Stockholder requests that the Company provide or otherwise make available all such information up to the date of inspection. Stockholder further requests that the Company provide or otherwise make available all additions, changes, and corrections to any of the requested information from the time of this demand to the time of any written confirmation that this inspection has come to a conclusion.

Stockholder will send representatives to conduct the requested inspection and copying of all requested information and other materials, or will confer with counsel for the Company on the most efficient means to satisfy this demand. Please advise the undersigned as to the time and place that the requested information will be made available in accordance with this demand.

We believe that this demand letter complies with the provisions of Section 1601 in all material respects. If the Company believes this notice is incomplete or otherwise deficient in any respect, however, we request that you contact the undersigned immediately so that any alleged deficiencies may be addressed promptly.

Credible Basis to Investigate

Stockholder has a credible basis to investigate whether the Company's officers and board of directors (the "Board") may have breached their fiduciary duties to the Company and its minority shareholders by engaging in wrongdoing in connection with failing to hold annual meetings, failing to disseminate annual reports to shareholders, mismanagement and breaches of the duty of loyalty relating to the Company's vaping products.

On April 3, 2019, the U.S. Food and Drug Administration announced an investigation into 35 cases of people suffering seizures after "vaping." On August 29, 2019, the Wall Street Journal reported that the U.S. Federal Trade Commission was investigating whether JUUL used marketing practices to appeal e-cigarettes to minors. Several other federal and state investigations into health risks of vaping, as well as JUUL's marketing practices, are ongoing.

On Monday, September 9, 2019, Federal health authorities alleged that Juul unlawfully marketed its electronic cigarettes as a safer alternative to smoking, and ordered the company to stop making unproven claims for its products.

The Food and Drug Administration also increased its scrutiny of a number of key aspects of Juul's business, forcing the company to turn over documents on its marketing, educational programs and nicotine formula. The FDA action increased the legal pressure on JUUL, which has recently been besieged by scrutiny from state and federal officials since a recent surge in underage vaping. Federal law bans sales to those under 18. The FDA has been investigating Juul for months but had not previously taken action against the company.

In a sternly worded warning letter, the FDA flagged various claims made by Juul representatives, including that its products are "much safer than cigarettes." Currently no vaping product has been federally reviewed to be less harmful than traditional tobacco products.

During Congressional testimony, Congress heard testimony from Phillip Fuhrman. By the ninth grade, Phillip Fuhrman was already addicted to Juul, as were many of his friends. Some of them had reservations about using the e-cigarettes. But their concerns about vaping were quickly explained away by a speaker who visited their school in April 2018 to give a presentation about mental health and addiction. Fuhrman testified to Congress in July 2019 that the speaker said he was connected to Juul, and told the kids that e-cigarettes were "totally safe" and that the US Food and Drug Administration (FDA) would soon announce that Juul products were 99 percent safer than regular cigarettes.

These marketing techniques were common and well documented, says Robert Jackler, a researcher at Stanford who studies e-cigarette marketing. "This has been going on for years," says Jackler, who also testified at the two-day congressional hearing on e-cigarettes in July. He speculates the FDA is reacting to pressure from US Representative Raja Krishnamoorthi (D-Illinois), who chaired the hearing, and from Senator Dick Durbin (D-Illinois). Both Krishnamoorthi and Durbin have urged the FDA to take action in recent weeks to curb the youth vaping epidemic.

On September 9, 2019, the FDA chastised Juul for these and other scientifically unsubstantiated claims that advertise e-cigarettes as "modified risk tobacco products," suggesting they are safe, relatively risk-free ways to quit smoking. Marketers can't make those claims unless the FDA has reviewed the products and agrees that the company has rigorous scientific data to back them up. In a separate letter, the FDA requested Juul turn over information about its youth marketing strategies and Juul's use of nicotine salts.

"JUUL has ignored the law, and very concerningly, has made some of these statements in school to our nation's youth," said FDA acting commissioner Ned Sharpless, in a statement. In a letter to Juul CEO Kevin Burns, FDA regulators said they were "troubled" by a number of other points raised at the congressional hearing. The letter cites congressional testimony that Juul's

Corporate Secretary, Juul Labs, Inc.
December 27, 2019
Page 5

advertising “saturated social media channels frequented by underage teens,” and “used influencers and discount coupons to attract new customers.”

Last year, Juul closed down its social media sites. And under pressure, it voluntarily removed its fruit and dessert flavors from retail stores.

The Individual Defendants have also mismanaged the Company. The value of the Company has allegedly decreased by billions of dollars in 2019.

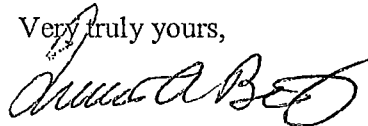
The Board has further breached its fiduciary duties of candor and good faith by failing to provide annual reports and financial information to the minority shareholders. Stockholder has not received any annual report or financial information from JUUL.

Request for Prompt Response

We request a response to this request within five business days of the date of this demand letter. If we do not receive a response or if the Company refuses the inspection demand, Stockholder may apply to the San Francisco Superior Court or other competent court for an order compelling inspection. We agree to treat any documents produced as attorneys’ eyes only until the execution of a confidentiality agreement. If we do not have a final agreement as to the scope of the inspection to be provided, with a firm date for such inspection, we will seek prompt judicial relief. We look forward to your prompt response.

If you have any questions, please call me at (858) 926-2610.

Very truly yours,

A handwritten signature in black ink, appearing to read "Francis A. Bottini, Jr.", written over the typed name.

Francis A. Bottini, Jr.
for BOTTINI & BOTTINI, INC.

Attachments

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address): BOTTINI & BOTTINI, INC. Francis A. Bottini, Jr. (SBN 175783) 7817 Ivanhoe Avenue, Suite 102 La Jolla, CA 92037 TELEPHONE NO.: (858) 914-2001 FAX NO.: (858) 914-2002 ATTORNEY FOR (Name): Plaintiff Daniel Grove		FOR COURT USE ONLY <div style="font-size: 2em; font-weight: bold; margin: 0;">FILED</div> <div style="font-size: 0.8em; margin: 0;">San Francisco County Superior Court</div> <div style="margin: 10px 0;">JAN 07 2020</div> <div style="margin: 0;">CLERK OF THE COURT</div> <div style="margin: 0;">BY: Deputy Clerk</div>
SUPERIOR COURT OF CALIFORNIA, COUNTY OF San Francisco STREET ADDRESS: 400 McAllister Street MAILING ADDRESS: 400 McAllister Street CITY AND ZIP CODE: San Francisco, California 94102 BRANCH NAME: Civic Center Courthouse		
CASE NAME: Grove v. Bowen, et al.		
CIVIL CASE COVER SHEET <input checked="" type="checkbox"/> Unlimited (Amount demanded exceeds \$25,000)	<input type="checkbox"/> Limited (Amount demanded is \$25,000 or less)	Complex Case Designation <input type="checkbox"/> Counter <input type="checkbox"/> Joinder Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402)
		CASE NUMBER: <div style="font-size: 1.5em; font-weight: bold;">CGC-20-582059</div>
		JUDGE: DEPT:

Items 1-6 below must be completed (see instructions on page 2).

1. Check one box below for the case type that best describes this case:

Auto Tort <input type="checkbox"/> Auto (22) <input type="checkbox"/> Uninsured motorist (46) Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort <input type="checkbox"/> Asbestos (04) <input type="checkbox"/> Product liability (24) <input type="checkbox"/> Medical malpractice (45) <input type="checkbox"/> Other PI/PD/WD (23) Non-PI/PD/WD (Other) Tort <input type="checkbox"/> Business tort/unfair business practice (07) <input type="checkbox"/> Civil rights (08) <input type="checkbox"/> Defamation (13) <input type="checkbox"/> Fraud (16) <input type="checkbox"/> Intellectual property (19) <input type="checkbox"/> Professional negligence (25) <input type="checkbox"/> Other non-PI/PD/WD tort (35) Employment <input type="checkbox"/> Wrongful termination (36) <input type="checkbox"/> Other employment (15)	Contract <input type="checkbox"/> Breach of contract/warranty (06) <input type="checkbox"/> Rule 3.740 collections (09) - <input type="checkbox"/> Other collections (09) <input type="checkbox"/> Insurance coverage (18) <input type="checkbox"/> Other contract (37) Real Property <input type="checkbox"/> Eminent domain/Inverse condemnation (14) <input type="checkbox"/> Wrongful eviction (33) <input type="checkbox"/> Other real property (26) Unlawful Detainer <input type="checkbox"/> Commercial (31) <input type="checkbox"/> Residential (32) <input type="checkbox"/> Drugs (38) Judicial Review <input type="checkbox"/> Asset forfeiture (05) <input type="checkbox"/> Petition re: arbitration award (11) <input type="checkbox"/> Writ of mandate (02) <input type="checkbox"/> Other judicial review (39)	Provisionally Complex Civil Litigation (Cal. Rules of Court, rules 3.400-3.403) <input type="checkbox"/> Antitrust/Trade regulation (03) <input type="checkbox"/> Construction defect (10) <input type="checkbox"/> Mass tort (40) <input checked="" type="checkbox"/> Securities litigation (28) <input type="checkbox"/> Environmental/Toxic tort (30) <input type="checkbox"/> Insurance coverage claims arising from the above listed provisionally complex case types (41) Enforcement of Judgment <input type="checkbox"/> Enforcement of judgment (20) Miscellaneous Civil Complaint <input type="checkbox"/> RICO (27) <input type="checkbox"/> Other complaint (not specified above) (42) Miscellaneous Civil Petition <input type="checkbox"/> Partnership and corporate governance (21) <input type="checkbox"/> Other petition (not specified above) (43)
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2. This case ☒ is ☐ is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:
- | | |
|---|--|
| a. <input checked="" type="checkbox"/> Large number of separately represented parties | d. <input checked="" type="checkbox"/> Large number of witnesses |
| b. <input checked="" type="checkbox"/> Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve | e. <input type="checkbox"/> Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court |
| c. <input checked="" type="checkbox"/> Substantial amount of documentary evidence | f. <input type="checkbox"/> Substantial postjudgment judicial supervision |
3. Remedies sought (check all that apply): a. ☒ monetary b. ☒ nonmonetary; declaratory or injunctive relief c. ☒ punitive
4. Number of causes of action (specify): 7
5. This case ☒ is ☐ is not a class action suit.
6. If there are any known related cases, file and serve a notice of related case. (You may use form CM-015.)

Date: January 6, 2020
 Francis A. Bottini, Jr.

(TYPE OR PRINT NAME)

(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

NOTICE

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

Page 1 of 2

BY FAX

INSTRUCTIONS ON HOW TO COMPLETE THE COVER SHEET

To Plaintiffs and Others Filing First Papers. If you are filing a first paper (for example, a complaint) in a civil case, you **must** complete and file, along with your first paper, the *Civil Case Cover Sheet* contained on page 1. This information will be used to compile statistics about the types and numbers of cases filed. You must complete items 1 through 6 on the sheet. In item 1, you must check **one** box for the case type that best describes the case. If the case fits both a general and a more specific type of case listed in item 1, check the more specific one. If the case has multiple causes of action, check the box that best indicates the **primary** cause of action. To assist you in completing the sheet, examples of the cases that belong under each case type in item 1 are provided below. A cover sheet must be filed only with your initial paper. Failure to file a cover sheet with the first paper filed in a civil case may subject a party, its counsel, or both to sanctions under rules 2.30 and 3.220 of the California Rules of Court.

To Parties in Rule 3.740 Collections Cases. A "collections case" under rule 3.740 is defined as an action for recovery of money owed in a sum stated to be certain that is not more than \$25,000, exclusive of interest and attorney's fees, arising from a transaction in which property, services, or money was acquired on credit. A collections case does not include an action seeking the following: (1) tort damages, (2) punitive damages, (3) recovery of real property, (4) recovery of personal property, or (5) a prejudgment writ of attachment. The identification of a case as a rule 3.740 collections case on this form means that it will be exempt from the general time-for-service requirements and case management rules, unless a defendant files a responsive pleading. A rule 3.740 collections case will be subject to the requirements for service and obtaining a judgment in rule 3.740.

To Parties in Complex Cases. In complex cases only, parties must also use the *Civil Case Cover Sheet* to designate whether the case is complex. If a plaintiff believes the case is complex under rule 3.400 of the California Rules of Court, this must be indicated by completing the appropriate boxes in items 1 and 2. If a plaintiff designates a case as complex, the cover sheet must be served with the complaint on all parties to the action. A defendant may file and serve no later than the time of its first appearance a joinder in the plaintiff's designation, a counter-designation that the case is not complex, or, if the plaintiff has made no designation, a designation that the case is complex.

CASE TYPES AND EXAMPLES

Auto Tort

Auto (22)—Personal Injury/Property Damage/Wrongful Death
Uninsured Motorist (46) (*if the case involves an uninsured motorist claim subject to arbitration, check this item instead of Auto*)

Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort

Asbestos (04)
Asbestos Property Damage
Asbestos Personal Injury/Wrongful Death
Product Liability (*not asbestos or toxic/environmental*) (24)
Medical Malpractice (45)
Medical Malpractice—Physicians & Surgeons
Other Professional Health Care Malpractice
Other PI/PD/WD (23)
Premises Liability (e.g., slip and fall)
Intentional Bodily Injury/PD/WD (e.g., assault, vandalism)
Intentional Infliction of Emotional Distress
Negligent Infliction of Emotional Distress
Other PI/PD/WD

Non-PI/PD/WD (Other) Tort

Business Tort/Unfair Business Practice (07)
Civil Rights (e.g., discrimination, false arrest) (*not civil harassment*) (08)
Defamation (e.g., slander, libel) (13)
Fraud (16)
Intellectual Property (19)
Professional Negligence (25)
Legal Malpractice
Other Professional Malpractice (*not medical or legal*)
Other Non-PI/PD/WD Tort (35)

Employment

Wrongful Termination (36)
Other Employment (15)

Contract

Breach of Contract/Warranty (06)
Breach of Rental/Lease Contract (*not unlawful detainer or wrongful eviction*)
Contract/Warranty Breach—Seller Plaintiff (*not fraud or negligence*)
Negligent Breach of Contract/Warranty
Other Breach of Contract/Warranty
Collections (e.g., money owed, open book accounts) (09)
Collection Case—Seller Plaintiff
Other Promissory Note/Collections Case
Insurance Coverage (*not provisionally complex*) (18)
Auto Subrogation
Other Coverage
Other Contract (37)
Contractual Fraud
Other Contract Dispute

Real Property

Eminent Domain/Inverse Condemnation (14)
Wrongful Eviction (33)
Other Real Property (e.g., quiet title) (26)
Writ of Possession of Real Property
Mortgage Foreclosure
Quiet Title
Other Real Property (*not eminent domain, landlord/tenant, or foreclosure*)

Unlawful Detainer

Commercial (31)
Residential (32)
Drugs (38) (*if the case involves illegal drugs, check this item; otherwise, report as Commercial or Residential*)

Judicial Review

Asset Forfeiture (05)
Petition Re: Arbitration Award (11)
Writ of Mandate (02)
Writ—Administrative Mandamus
Writ—Mandamus on Limited Court Case Matter
Writ—Other Limited Court Case Review
Other Judicial Review (39)
Review of Health Officer Order
Notice of Appeal—Labor Commissioner Appeals

Provisionally Complex Civil Litigation (Cal. Rules of Court Rules 3.400–3.403)

Antitrust/Trade Regulation (03)
Construction Defect (10)
Claims Involving Mass Tort (40)
Securities Litigation (28)
Environmental/Toxic Tort (30)
Insurance Coverage Claims (*arising from provisionally complex case type listed above*) (41)

Enforcement of Judgment

Enforcement of Judgment (20)
Abstract of Judgment (Out of County)
Confession of Judgment (*non-domestic relations*)
Sister State Judgment
Administrative Agency Award (*not unpaid taxes*)
Petition/Certification of Entry of Judgment on Unpaid Taxes
Other Enforcement of Judgment Case

Miscellaneous Civil Complaint

RICO (27)
Other Complaint (*not specified above*) (42)
Declaratory Relief Only
Injunctive Relief Only (*non-harassment*)
Mechanics Lien
Other Commercial Complaint Case (*non-tort/non-complex*)
Other Civil Complaint (*non-tort/non-complex*)

Miscellaneous Civil Petition

Partnership and Corporate Governance (21)
Other Petition (*not specified above*) (43)
Civil Harassment
Workplace Violence
Elder/Dependent Adult Abuse
Election Contest
Petition for Name Change
Petition for Relief From Late Claim
Other Civil Petition