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12 **SUPERIOR COURT OF ARIZONA**

13 **IN MARICOPA COUNTY**

14 STATE OF ARIZONA, *ex rel.* KRISTIN K.
15 MAYES, Attorney General,

16 Case No.: CV2025-023752

17 Plaintiff,

18 v.

19 PRO SOURCE SUPPLY LLC, an Arizona limited
20 liability company; PRO SOURCE VAPES LLC, an
Arizona limited liability company; PRO SOURCE
21 CBD LLC, an Arizona limited liability company;
TIMOTHY KELL and JANE DOE KELL, husband
and wife;

22 Defendants.

23 **CONSENT JUDGMENT**

24 (Assigned to the Hon. Joseph Kreamer)

25 **FINAL CONSENT JUDGMENT AND DISMISSAL WITH PREJUDICE**

26 The State of Arizona, *ex rel.* Kristin K. Mayes, the Attorney General (the “*State*”) and
27 Pro Source Supply LLC, Pro Source Vapes LLC, and Pro Source CBD LLC (collectively, “Pro
28 Source”), limited liability companies organized under the laws of Arizona, and its owners,

1 including Timothy Kell (hereinafter collectively referred to as the “Company”) (together with
2 the State, the “*Parties*,” and each a “*Party*”) have entered into a consensual resolution of the
3 above-captioned litigation (the “*Action*”) pursuant to the terms set forth below which shall
4 become effective upon the entry of this Final Consent Judgment (the “*Consent Judgment*”) by
5 the Court without trial or adjudication of any contested issue of fact or law, and without finding
6 or admission of wrongdoing or liability of any kind.

7 **WHEREAS:**

- 8 • more than 95% of adult tobacco and nicotine users began nicotine use before
9 reaching the lawful age of sale; and
- 10 • the younger a person begins nicotine use, the more likely it is that they will be
11 unable to quit later in life and they will suffer a disease attributable to tobacco
12 use; and
- 13 • youth demonstrate signs of addiction after ingesting only a few milligrams or a
14 few cigarettes’ worth of nicotine; and
- 15 • more than 480,000 Americans die each year from diseases caused by tobacco use;
16 and

17 **WHEREAS**, the Company is a retailer of tobacco and nicotine products; and

18 **WHEREAS**, routine youth tobacco compliance inspections conducted in the State of
19 Arizona by both the Arizona Attorney General’s Office (AGO) under A.R.S. §13-3622 and
20 the Arizona Department of Health Services’ (ADHS) FDA Tobacco Inspection Program (FDA
21 Program) indicate that the Company’s retail outlets made sales of tobacco and nicotine
22 products to individuals who were under the lawful age of sale at the time of purchase; and

23 **WHEREAS**, such sales and/or corporate policies and practices that result in such sales
24 violate Arizona Consumer Fraud Act (A.R.S. §§ 44-1521 to -1534); and

25 **WHEREAS**, the Company affirms its commitment to responsible marketing of tobacco
26 and nicotine products and to the health and welfare of Arizona youth, and is committed to
27 employing and enhancing tobacco retailing practices that are designed to prevent the sale of
28 tobacco products to underaged individuals;

1 WHEREAS, the Company and the Attorney General wish to resolve outstanding claims
2 between them in and concerning *Arizona v. Pro Source Supply, LLC* (Maricopa County docket
3 no. CV2025-023752) expeditiously and without an admission of wrongdoing or liability;

4 NOW, THEREFORE, the Attorney General and the Company agree as follows:

5 **I. Definitions**

- 6 **A. “Company store”** means a Pro Source store or other retail store (i) that derives
7 at least 10% of its revenue from the sale of tobacco or nicotine products and (ii)
8 in which Pro Source or Timothy Kell (separately or collectively) owns or controls
9 a majority interest.
- 10 **B. “Compliance Officer”** refers to a person appointed by the Company pursuant to
11 part V.A. of this Consent Judgment.
- 12 **C. “Electronic age verification devices and systems”** means cash registers,
13 computerized systems, or electronic scanning, swiping, or tapping equipment that
14 assist a store employee in verifying the age of a consumer.
- 15 **D. “Franchisee”** means an individual or entity that by a written agreement has been
16 granted the right to use the Company trademarks, trade dress, and other property
17 to operate a Pro Source store and conduct business under the Pro Source name.
- 18 **E. “Independent Entity”** means an entity that is not owned by or affiliated with the
19 Company and is not funded in whole or in part by any tobacco or nicotine product
20 manufacturer and which conducts the compliance checks described in Section IV
21 of this Consent Judgment.
- 22 **F. “Third party sale”** means a person of legal age to purchase tobacco or nicotine
23 products purchasing tobacco or nicotine products in order to furnish it to an
24 underaged person.
- 25 **G. “Tobacco product”** includes but is not limited to cigarettes of all kinds, cigars,
26 loose tobacco, leaf tobacco, chewing tobacco, snuff, snus, hookah tobacco,
27 shisha, pipe tobacco, and any other form or product containing tobacco.

1 **H. “Nicotine product”** includes but is not limited to e-cigarettes, any liquid
2 intended to be used in e-cigarettes, any component or part of an e-cigarette
3 including specialized batteries, mechanical components, and replacement parts,
4 disposable e-cigarettes, pods or other cartridges intended to be used in e-
5 cigarettes whether or not they contain e-liquid, nicotine pouches, nicotine gum,
6 nicotine infused products such as toothpicks, strips, lozenges, or sticks, and any
7 other product containing nicotine intended for human consumption by any
8 method.

9 **I. “Premium cigar”** includes cigars that:

- 10 1. are wrapped in whole tobacco leaf;
- 11 2. contain a 100% leaf tobacco binder;
- 12 3. contain at least 50% (of the filler by weight) long filler tobacco;
- 13 4. are handmade or hand rolled;
- 14 5. have no filter, nontobacco tip, or nontobacco mouthpiece;
- 15 6. do not have a characterizing flavor other than tobacco;
- 16 7. contain only tobacco, water, and vegetable gum with no other ingredients
17 or additives; and
- 18 8. weigh more than 6 pounds per 1,000 units.

19 **II. Personnel Practice in Relation to the Sale of Tobacco and Nicotine Products to**
20 **Underaged Persons**

21 No later than 60 days after the effective date of this Consent Judgment, the Company
22 shall adopt and enforce policies that implement the following personnel practices at Company
23 stores relating to the sale of tobacco and nicotine products to underaged persons.

24 **A. Hiring**

- 25 1. The Company shall only employ individuals of legal age for purchasing
26 tobacco and nicotine products for a position that involves selling tobacco or
27 nicotine products, or supervising anyone who sells tobacco or nicotine
28 products, at a Company store.

2. Upon hiring or assigning an employee for a position that involves selling tobacco or nicotine products at a Company store, the Company will inform the individual of the importance of compliance with laws related to youth access. The information that the company provides shall include references to the Company's policies, legal consequences, and health concerns associated with youth access.

3. The Company shall ask all applicants for positions that involve the selling of tobacco or nicotine products at a Company store about past violations of prohibitions on selling tobacco or nicotine products to underaged individuals. The Company shall give any such violations due consideration.

B. Training

1. Within 30 days of assuming any job duties that involve or may involve the sale of tobacco at a company store, a newly hired employee shall receive comprehensive training in the laws and Company policies relating to tobacco and nicotine products and shall be required to sign an acknowledgement or confirm electronically that he or she has read and understands the information provided.

2. Such training shall be performed by a person experienced in providing youth access training, or if a computer-based training format is used, the training shall be provided and reviewed by an employee with supervisory responsibility over the trainee's tobacco-related activities. The training shall include, at minimum, the following:

- a. A review of the applicable federal, state, and local laws related to underaged access to tobacco and nicotine products;
- b. A review of all Company policies related to underaged access;
- c. An explanation of the importance of preventing underaged access to tobacco and nicotine products, including but not limited to the following information:

- i. Over 85% of tobacco users begin use before 18 years of age and over 95% begin use before the age of 21;
 - ii. Nicotine is addictive and a young person may begin showing signs of addiction after only a short time using nicotine products or after smoking only a few cigarettes;
 - iii. The younger a person is when they begin using nicotine, the harder it will be for them to quit; and
 - iv. Tobacco use is still the leading cause of preventable death in the United States, killing over 480,000 Americans each year.
- d. An explanation that the employee's compliance with underaged access laws and policies will be taken into account in connection with the employee's performance reviews, that failure to comply may be grounds for termination of employment, and that the Company actively monitors employee compliance;
- e. A comprehensive review of all products sold at Company stores that are tobacco or nicotine products and the manner in which employees are notified of new tobacco products offered by the Company;
- f. A review of age verification procedures including:
 - i. The age that triggers an ID requirement (see Section III(E))
 - ii. Acceptable forms of ID (listed in Section III(E)(8))
 - iii. Features of an ID that must be checked, with particular emphasis on government-issued forms of identification most commonly presented by adults in the market area;
 - iv. Tips on recognizing indicators of IDs that have been altered or are being misused;
 - v. What to do if an ID appears altered or misused;
- g. An explanation of the importance of devoting the time and effort needed to perform the necessary calculation or steps to establish that

the customer is of legal age, including an explanation that delays in serving customers due to performing age verification will not negatively impact the employee performing the age verification;

h. A review of suggested methods and techniques for handling the following situations:

- i. Asking for ID
- ii. Determining the age indicated on the identification
- iii. Comparing the photo on the identification to the individual presenting the identification
- iv. Declining a sale based on the age of the customer
- v. Declining a sale based on concerns that the ID is altered or misused
- vi. Recognizing a potential third-party sale
- vii. Declining a potential third-party sale
- viii. Declining a sale of tobacco or nicotine paraphernalia
- ix. Resisting customer pressure and handling negative or abusive reactions from customers.

3. In the case of any employee under the age of 25, training shall also emphasize the special challenges associated with declining to sell tobacco and nicotine products to underaged persons who are friends, acquaintances, or peer group members and on techniques for meeting such challenges.

4. Within ninety (90) days of the Effective Date, the Company will have modified its existing written training materials to conform to the requirements of Paragraphs 2 and 3.

5. The Company shall use a written or electronic test to confirm that employees have fully acquired the knowledge required to perform their job duties related to the sale of tobacco and nicotine products in accordance with the law and Company policies. Within ninety (90) days of the Effective Date,

1 all new employees hired for a position involving the sale of tobacco or
2 nicotine products shall be required to pass the test prior to assuming those
3 duties. Within one hundred and twenty (120) days of the Effective Date, all
4 current employees whose job duties include or may include the sale of
5 tobacco and nicotine products shall be required to take and pass the test. The
6 Company shall retain for at least three years a record of the tests completed
7 by each employee.

8 6. The Company shall provide supplemental training to any employee it
9 desires to retain who:

10 a. Allegedly sells tobacco or nicotine products to an underaged individual
11 at a Company store and the store receives notice from a governmental
12 agency of the alleged violation;

13 b. Fails to pass a compliance check as set forth in Section IV.

14 c. Fails to pass a compliance check pursuant to any program now existing
15 or hereafter implemented by the Company; or

16 d. Fails to pass the test described in Paragraph 5, above.

17 7. The Company shall provide copies of all training materials related to sales,
18 advertising, and marketing of tobacco and nicotine products to AGO upon
19 request.

20 8. The Company shall additionally provide the opportunity for any employee
21 that may sell tobacco or nicotine products to attend the Arizona Retail
22 Tobacco Training (ARTT) class or an equivalent class provided or approved
23 by the Arizona Department of Health Services or a county health department
24 of any Arizona county.

25 **C. Supervision**

26 1. The Company store managers shall be instructed to monitor staff
27 compliance with underaged access laws and policies on an ongoing basis.

2. The Company store managers shall be instructed to report all instances of a failed compliance inspection conducted by a governmental agency to the Compliance Officer within ten (10) business days.
3. The Company shall inform its Company store managers that an important element of their performance reviews will be whether the staff under their supervision complies with youth access laws and policies and whether they timely report failed compliance inspections to the Compliance Officer.

III. Tobacco Retailing Policies and Practices

No later than 30 days after the effective date of this Consent Judgment, the Company shall adopt and enforce the following retailing practices and policies at all Company stores.

A. Vending Machines

The Company shall not use vending machines to sell tobacco or nicotine products or any component or part of any tobacco or nicotine product, including at any Company store. The Company and Timothy Kell each attest that they do not currently own any tobacco or nicotine product vending machines nor do they provide tobacco or nicotine products for any vending machines. The Company and Timothy Kell agree not to purchase tobacco or nicotine product vending machines or to provide tobacco or nicotine products for vending machines for the duration of this agreement.

B. Posting of Signs

The Company shall post signs at every entrance stating that only individuals over the age of 21 are allowed to purchase tobacco or nicotine products and that anyone appearing under the age of 40 will be asked for identification to make a purchase of tobacco or nicotine products.

C. Age limitation on Sales of Tobacco and Nicotine Product Paraphernalia

The Company shall have a policy requiring that no one under the legal age of sale for purchasing tobacco and nicotine products is permitted to purchase tobacco or nicotine paraphernalia of any kind.

1

D. Cooperation in Enforcement of Youth Access Laws

2 The Company shall have a policy requiring that store personnel make every
3 reasonable effort to cooperate in the enforcement of applicable youth access laws.
4 At a minimum, the Company's policy shall require that Company employees:

- 5 1. Promptly report violations of laws prohibiting the underaged sale of
6 tobacco or nicotine products to their supervisor and, in the case of a store
7 manager, to the Compliance Officer;
- 8 2. Have access at all times to a phone number to contact an owner or manager
9 directly to immediately report a failed compliance inspection in the event of
10 a citation.

11

E. Age Verification

- 12 1. The Company shall have in place adequate policies and procedures that
13 are actively enforced and which prohibit the sale of tobacco or nicotine
14 products or paraphernalia to underaged persons.
- 15 2. The Company shall require its employees to obtain identification before
16 selling a tobacco or nicotine product from any individual who reasonably
17 appears to be under the age of forty (40).
- 18 3. The Company agrees to use an age verification system at its point of sale
19 that:
 - 20 a. Allows the employee to scan a customer's presented ID,
 - 21 b. Checks the ID for expiration and the customer's age, and
 - 22 c. Indicates clearly whether the tobacco or nicotine product sale can
23 lawfully proceed.
- 24 4. The Company shall provide employees with ready access at the point of
25 sale to necessary tools to assist in age verification.
- 26 5. The Company shall have a policy of reminding employees periodically,
27 but at least once per month, of the importance of performing proper ID checks
28 for tobacco and nicotine product purchases, including requiring ID checks for

1 any customer under 40 years of age. This reminder may be through a sign
2 that changes monthly, periodic text or email messages with required
3 responses, employee meetings, or by other means.

4 6. The Company shall monitor developments in technology relating to
5 electronic age verification devices and systems and upgrade any age
6 verification systems, to the extent reasonable and practicable, as
7 improvements become available.

8 7. To the extent that the Company uses electronic age verification devices or
9 systems that have the capacity to store data that would assist in evaluating
10 whether the systems are being properly used by employees, it shall review
11 such data periodically, use the data to assess employee performance, and
12 provide remedial training and support, as necessary, for those employees who
13 appear to need it. However, nothing in this Consent Judgment authorizes or
14 sanctions the retention of personally identifying information for any purpose
15 other than monitoring compliance with Company policies.

16 8. Unless otherwise required by law, the Company shall have a policy that
17 only the following forms of photographic identification are acceptable for
18 purposes of establishing the legal age to purchase tobacco:

19 a. An unexpired driver license issued by this state. A driver license with
20 a vertical orientation, issued when a person is under twenty-one years
21 of age, is not an acceptable type of identification, even if the person
22 has turned twenty-one since the license was issued.

23 b. An unexpired driver license issued by any other state, the District of
24 Columbia, any territory of the United States or Canada if the license
25 includes a picture of the person and the person's date of birth.

26 c. An unexpired nonoperating identification license issued pursuant to
27 A.R.S. §28-3165. An unexpired nonoperating license with a vertical
28 orientation, issued when a person is under twenty-one years of age, is

1 not an acceptable type of identification, even if the person has turned
2 twenty-one since the license was issued.

3 d. A form of identification license issued by any other state, the District
4 of Columbia, any territory of the United States or Canada if the license
5 is substantially equivalent to a nonoperating identification license
6 issued pursuant to A.R.S. §28-3165 and includes a picture of the
7 person and the person's date of birth.

8 e. An unexpired armed forces identification card that includes the
9 person's picture and date of birth.

10 f. A valid unexpired passport or a valid unexpired resident alien card that
11 contains a photograph of the person and the person's date of birth.

12 g. A valid unexpired consular identification card that is issued by a
13 foreign government if the foreign government uses biometric identity
14 verification techniques in issuing the consular identification card. For
15 the purposes of this paragraph, "biometric identity verification
16 techniques" has the same meaning prescribed in A.R.S. §41-5001.

17 h. A valid unexpired border crossing card issued by the United States
18 government that contains a photograph of the person and the person's
19 date of birth.

20 **F. Minimum Pack Size**

21 1. The Company shall not sell single cigarettes or packages containing fewer
22 than twenty (20) cigarettes.

23 2. Beginning on January 1, 2026, the Company shall not sell little cigars or
24 cigarillos in characterizing flavors other than tobacco or menthol except at a
25 location that has no underage sales violations in the previous 24-month
26 period.

27 a. This clause does not concern the sale of premium cigars.

28 **G. Sale of Look-Alike Products**

1 The Company shall not offer for sale: candy, chewing gum, toys, cosmetics, or
2 any other non-tobacco or non-nicotine product that themselves are designed to look
3 like tobacco or nicotine products.

4 **H. Sale of products with Youth Appeal**

5 The Company shall not sell tobacco or nicotine products that are designed such
6 that they are attractive to minors. A tobacco or nicotine product shall be considered
7 to be attractive to minors if it meets any of the following criteria:

- 8 1. Features in its marketing or on the product packaging cartoons that are
9 intended to appeal to minors;
- 10 2. Uses or resembles the trade dress of a branded food product, or logo of a
11 trademarked food product;
- 12 3. Uses actual copyrights, service marks, or trademarks or fake or actual
13 copyrights, service marks, or trademarks that resemble trademarked food
14 products popular with minors, including the names of candy or cereal
15 products.
- 16 4. Imitates school supplies commonly used by minors, including but not
17 limited to erasers, highlighters, pens, and pencils;
- 18 5. Includes an image or name of a celebrity who is under the age of 25;
- 19 6. Includes equipment designed to allow smoking or vaping within an article
20 of clothing, hat, or backpack; or
- 21 7. Imitates a children's toy.

22 **I. Sale of Unauthorized Products**

23 No provision of this agreement is intended or shall be interpreted to authorize
24 conduct in violation of applicable local, state, or federal law.

25 **J. Advertising**

26 1. Any tobacco or nicotine products advertisement that is located outside
27 Company stores, including any advertisement on the inside of stores that faces out
28 and can be seen from outside the store, shall not occupy an area larger than 14 square

1 feet (and that neither is placed in such proximity to any other such advertisement so
2 as to create a single “mosaic”-type advertisement larger than 14 square feet, nor
3 functions solely as a segment of a larger advertising unit or series). Within fifteen
4 days of receipt of notice from AGO that AGO believes an advertisement outside
5 Company stores exceeds 14 square feet in violation of this provision, the Company
6 shall remove any offending signage. For the avoidance of doubt, this Paragraph does
7 not restrict the store from (a) positioning tobacco or nicotine products or
8 paraphernalia at or near store windows, so long as the product is either facing inward
9 or does not have a single “face” or direction that can be positioned inward; or (b)
10 advertising a sale (*e.g.*, “Black Friday Sale”) without reference to any tobacco or
11 nicotine products.

12 2. The Company shall not display tobacco or nicotine product advertising
13 outside of a Company store that is located within 1000 feet of an elementary or
14 secondary school, except that the Company may display the Company name and logo
15 on signage and on the entry door. Within fifteen days of receipt of notice from AGO
16 that AGO believes advertising outside Company stores is within 1000 feet of an
17 elementary or secondary school in violation of this provision, the Company shall
18 remove any offending signage.

19 3. The Company shall not display tobacco or nicotine product advertising
20 inside the Company store that appeals to or directly or indirectly targets youth. The
21 Company will develop a policy for reviewing all tobacco and nicotine product
22 advertising before it is displayed in stores. It is agreed that in-store advertising shall
23 not violate this provision if it either (i) is limited in content to the product brand
24 name, trademarked logo, and price and that is not displayed in a format that appeals
25 to youth, or (ii) advertises or displays solely a product that is not a tobacco or nicotine
26 product, tobacco or nicotine paraphernalia, or other age-restricted item. Within
27 fifteen days of receipt of notice from AGO that AGO believes advertising in
28

1 Company stores appeals to or directly or indirectly targets youth in violation of this
2 provision, the Company shall remove any offending signage.

3 4. For the avoidance of doubt, nothing in this Subsection prohibits the
4 Company from listing itself in business directories including but not limited to the
5 Yellow Pages, Yelp, Google Maps and Apple Maps.

6 **K. Placement of Minimum Age Signs**

7 In addition to meeting whatever minimum age signage and posting requirements
8 or restrictions as may be embodied in local, state, or federal law, the Company shall
9 post signs stating that persons who appear under the age of 40 will be asked for
10 identification before a sale of any age-restricted product is made. The signs shall be
11 placed in the following locations:

12 1. On each door by which a customer may enter the establishment;
13 2. At each cash register at which tobacco or nicotine products are sold;
14 3. At each tobacco or nicotine product display or at least in one location on
15 each wall of the business that displays tobacco or nicotine products.

16 **L. Free Samples**

17 The Company shall not permit the distribution of free samples of tobacco
18 products anywhere on Company store premises, including walkways and any parking
19 area. The Company shall not provide any free non-tobacco or non-nicotine products
20 as a promotion or benefit contingent on the purchase of a tobacco or nicotine product,
21 other than a free pack of matches may be given with a combustible tobacco product.

22 **IV. Monitoring**

23 Within 30 days of the effective date of this Consent Judgment, the Company shall
24 implement the following monitoring protocols and practices:

25 **A. General Requirements**

26 1. The Company shall implement and maintain a program of compliance
27 checks, designed to determine whether Company stores and their employees are in
28 compliance with youth access laws and policies.

1 2. All compliance checks pursuant to this Section IV shall be unannounced.
2 Procedures shall be adopted such that employees whose compliance is being checked
3 (both clerks and supervisors responsible for the performance of clerks) have no
4 reason to know that a given attempt to purchase tobacco is actually a compliance
5 check.

6 3. The compliance checks pursuant to this Section IV will determine whether
7 the employee selling the tobacco product asked the purchaser to produce
8 identification, whether the purchaser provided an acceptable form of identification
9 (see Section III(E)(8)), whether the employee checked the identification to verify
10 whether the purchaser is of legal age, and, in the case of an attempted purchase by a
11 person who does not produce proper identification, whether the sale was completed.
12 A passed compliance check is one where the employee completes these tasks and,
13 where appropriate, declines to make the sale.

14 **B. Compliance Checks**

15 1. The Company shall arrange for an Independent Entity reasonably
16 acceptable to the AGO to perform compliance checks beginning within 30 days of
17 the effective date of this Consent Judgment and at least once per month, per
18 Company store.

19 2. The Independent Entity shall decide which stores will be inspected on
20 which dates. No store selected for inspection on a certain date will be identified to
21 the Company, directly or indirectly, until after the check of that store is completed.

22 3. A compliance check shall consist of an attempt to purchase a tobacco or
23 nicotine product by a person chosen by the Independent Entity who:

- 24 a. Is not employed by the Company;
- 25 b. Is unknown to the staff of the selected store; and
- 26 c. Is a person of legal age who is less than 30 years of age.

27 4. The Company shall instruct the Independent Entity to perform the
28 compliance checks for the purpose of obtaining an accurate and reliable indication

1 of actual employee practices in connection with tobacco sales and not for the purpose
2 of ensuring favorable results. When evaluating the performance of the Independent
3 Entity, the Company shall apply the aforesaid criteria.

4 5. In the event that a Company store fails a compliance check, the
Independent Entity shall conduct a second check (“re-check”) of the store within 14
6 days. The Independent Entity shall also conduct a re-check of a store that has
7 received a notice of a failed law enforcement tobacco compliance inspection from
8 local law enforcement, AGO, or FDA that occurs after the effective date of this
9 Consent Judgment.

10 6. Within five (5) business days of each compliance check, including re-
checks, the Independent Entity shall report the results to the manager of the store that
11 was checked and to the Compliance Officer. Within ten (10) business days of
12 receiving notice of a compliance check, the Company shall communicate the results
13 to the employees who were the subject of the test.

14 7. In the event of a failed compliance check by a Company store employee
whom the Company intends to retain, the non-complying employee shall be
15 informed of the test result, instructed on what constitutes proper compliance, and
16 cautioned to avoid further instances of non-compliance. In addition, the Company
17 shall provide the non-complying employee with remedial training.

18 8. A Company store employee who passes a compliance check and their
supervisor shall at the earliest practicable time be notified of the success and
19 reminded that passing a compliance test is noted and is taken into account in the
employee’s performance assessment.

20 9. The Parties recognize that perfect compliance is always the goal and
intended result. A compliance rate of 90% or higher for any quarterly period shall
21 be considered “good” compliance. In the event that the Company attains a good
22 compliance rate for a period of six (6) consecutive quarters (or a total of 18
23 consecutive months) the Company may reduce the number of compliance checks by

1 50% to one per store for every two-month period. If the Company maintains a good
2 compliance rate for an additional consecutive two quarters (or 6 months), the
3 Company may reduce the number of compliance inspections to one per store per
4 quarter. If the Company maintains a good compliance rate for an additional two
5 quarters (or 6 months), the company may reduce the number of compliance
6 inspections to two per store per year.

7 **C. Forbearance from Institution of Legal Proceedings**

8 AGO agrees not to institute legal proceedings based on any tobacco sales that are made
9 during compliance checks conducted by the Independent Entity pursuant to this Consent
10 Judgment.

11 **D. Recording Sales Transactions**

12 In all Company stores, the Company shall have one or more security cameras interfaced
13 with the point-of-sale system in such store and shall adopt the following procedures:

14 1. The security cameras shall continuously record sales transactions at the
15 cash register and such recordings will be retained for at least seven (7) days unless a
16 specific request for the recording is received by the Company during that period.
17 The Compliance Officer will audit a reasonable number of randomly selected
18 transactions to monitor compliance with the terms of this Consent Judgment and
19 Company policies.

20 2. If a Company store receives a reported violation of youth access laws from
21 any governmental agency, store managers and the Compliance Officer shall
22 periodically review portions of the recordings in order to monitor compliance with
23 youth access laws and Company policies on the part of each employee who sells
24 tobacco or nicotine products.

25 3. Such reviews of footage shall be conducted in such a manner that does not
26 permit the employee to predict which shifts or transactions are likely to be reviewed.

1 4. Upon review, the Company shall take remedial action with an employee
2 observed to be non-complying with the policies related to youth access and shall
3 commend employees who consistently comply with the law.

4 **V. Reports**

5 **A. Compliance Officer**

6 1. The Company shall designate Timothy Kell as its Compliance Officer.
7 The Compliance Officer shall be responsible for ensuring compliance with the terms
8 of this Consent Judgment and for taking steps necessary to improve compliance with
9 youth access laws at Company stores. The Company shall have and enforce a policy
10 that requires all store managers to report all violations of federal, state, and local laws
11 concerning youth access to tobacco or nicotine products occurring at the store to the
12 Compliance Officer within five (5) business days of any alleged violation. The
13 Compliance Officer shall maintain a record of all reported alleged violations and
14 their respective dispositions for a period of at least three (3) years.

15 2. Upon request of AGO, the Compliance Officer shall cooperate in
16 providing access to information relating to this Consent Judgment including but not
17 limited to store-specific data on compliance with youth access laws.

18 **B. Reports by the Independent Entity**

19 1. The Company shall require by contract that the Independent Entity report
20 the results of its compliance checks to a person designated by AGO to receive such
21 reports.

22 The Independent Entity shall send reports to the designated representative of AGO at the same
23 time they are sent to the Company.

24 **VI. Franchise Agreements**

25 Subject to Part VIII.C, in the event that Company develops franchise agreements, the
26 full terms of Sections II and III, at a minimum, shall be incorporated into the franchise
27 agreement.

1 **VII. Monetary Awards**

2 **A. Total Award**

3 Subject to the provisions of this Section VII, the State is awarded against the Company
4 a combined monetary award of \$460,000, which consists of (i) \$100,000 in restitution, (ii)
5 \$345,000 in civil penalties, and (iii) \$15,000 in attorneys' fees.

6 **B. Upfront Payment**

7 Prior to the filing of this Consent Judgment, the Company has made an initial payment
8 of at least \$20,000 in partial satisfaction of its obligations under Section VII(A), to be
9 apportioned \$15,000 in attorneys' fees and \$5,000 in restitution.

10 **C. Payment Schedule**

11 1. Subject to Section VII(E), the Company must pay the combined monetary
12 awards of \$460,000 under this Consent Judgment in monthly increments of at least
13 \$2,000 until the total monetary award is paid in full (but not more than 48 months).

14 The first monthly payment will be due 30 days after entry of this Consent Judgment
15 and each remaining monthly payment will be due by the first day of each month
16 thereafter. Failure to make a monthly payment within 14 days of the date due is a
17 default on the Company's payment obligations under this Consent Judgment. The
18 AGO may send a written notice of default to the Company, requiring the Company
19 to meet its payment obligation within five (5) business days from receipt of the
20 notice.

21 2. Should the Company default on any payment obligation imposed by this
22 Consent Judgment and not meet its payment obligations within five (5) business days
23 of receiving a written notice of default, in addition to any other penalties and
24 remedies provided by law, all payments set forth herein will be accelerated and
25 become due and owing in their entirety as of the date of the default, with interest
26 accruing thereon at the statutory rate of 8.00% for the full amount owing as of the
27 default date.

3. The Company may prepay all or any part of the balance outstanding hereunder at any time without penalty, but must pay at least \$2,000 per month until the combined monetary award is paid in full.

D. Forgoing Collection of Interest

Subject to Section VII(E), if the Company pays the total combined monetary award in this Consent Judgment without committing any breach of this Consent Judgment or defaulting on any payment terms (unless timely corrected as contemplated in Sections VII(C)-(E) or VIII(E), the State agrees to forgo the collection of all interest accrued under this Consent Judgment.

E. Civil Penalties Deemed Satisfied on Payment of Restitution and Attorneys' Fees

1. For each dollar the Company pays toward the \$100,000 in total restitution and \$15,000 in attorneys' fees awarded by this Consent Judgment without committing any material breach of this Consent Judgment or defaulting on any payment terms (unless timely corrected as contemplated in Sections VII(C)-(E) or VIII(E), the State agrees to forego the collection of three dollars of the \$345,000 civil penalties award. Additionally, if the Company remits a total of \$95,000 to the AGO within 30 days of the execution of this Consent Judgment, the AGO will forego the collection of the balance of the monetary award provided in this Consent Judgment.

2. For purposes of this Section VII, the unauthorized acts or omissions of Company employees—including, but not limited to, an employee’s unauthorized sale of a tobacco or nicotine product to an underaged person, removal of required signage, or failure to attend a mandated compliance training—shall not constitute a material breach of this Consent Judgment, if the Company promptly takes reasonable corrective action upon the Compliance Officer’s receipt of actual notice of the unauthorized act or omission.

3. For purposes of this Section VII, no actual or alleged act, omission or practice of the Company on or after November 1, 2031 shall be the basis for finding a material breach of this Consent Judgment.

F. Receipt of Payments and Apportionment of Partial Payments

1. The payments required herein must be paid in the form of cashier's checks or money orders made payable to "The State of Arizona," or by wire transfer according to instructions supplied by the State. Check or money order payments must be delivered, or mailed and postmarked, to:

Consumer Protection and Advocacy Section
The Office of the Arizona Attorney General
2005 North Central Avenue
Phoenix, Arizona 85004-1592

2. Each partial payment made by the Company will be applied first to the restitution awarded under this Consent Judgment, then to the attorneys' fees award, then to the civil penalties award, and then, if applicable, to any interest owed.

3. The Attorney General shall deposit restitution amounts into an interest-bearing consumer restitution subaccount of the Consumer Restitution and Remediation Revolving Fund pursuant to A.R.S. § 44-1531.02 for the purpose of distributing restitution to eligible consumers. The State will have sole discretion as to how and when restitution funds are distributed to consumers and the eligibility of any consumer to receive restitution.

4. In the event that any portion of the restitution ordered herein is not distributed to eligible consumers, such portion may be deposited by the Attorney General's Office into the Consumer Protection-Consumer Fraud Revolving Fund, pursuant to A.R.S. § 44-1531.02(B), and used for the purposes specified in A.R.S. § 44-1531.01.

1 **VIII. Miscellaneous Provisions**

2 **A. Written Policies**

3 1. Company policies relating to the sale of tobacco and nicotine products
4 shall be in writing and stored in hard copy and on the Company's electronic storage
5 and internal communication system. The Company shall provide a written copy of
6 its tobacco and nicotine product policies to each Company employee within 30 days
7 of the effective date of this Consent Judgment or upon hiring if that occurs thereafter.

8 2. Company policies shall embody the standards and practices set forth in
9 this Consent Judgment.

10 3. Within 30 days of the effective date of this Consent Judgment, the
11 Company shall provide to a person designated by the AGO a copy of the policies it
12 adopts in order to comply with this Consent Judgment. Thereafter it shall provide
13 copies of any changes or modifications to a person designated by AGO within ten
14 days of such change or modification.

15 **B. Applicability and Term**

16 This Consent Judgment shall be binding on the Company, its successors and assigns.
17 This Consent Judgment shall expire and shall have no binding force or effect on and after
18 November 1, 2031. The expiration of any provision of this Consent Judgment shall not affect
19 the Company's obligation to comply with or provide a defense to any violation by the
20 Company of, any applicable local, state, or federal law.

21 **C. Modifications**

22 1. The Parties reserve the right to discuss the viability of any or all of these
23 provisions as they are implemented, having due regard for changes in laws and
24 regulations, as well as changes in equipment, technology, or methodology of retail
25 sales over time. In particular, to the extent that unlawful underage sales continue to
26 occur in spite of the Company's compliance with the provisions of this Consent
27 Judgment, AGO expressly reserves any and all enforcement options available for
28 addressing such noncompliance, including without limitation the right to renew

1 discussions with the Company for establishing additional and/or different practices,
2 policies, or procedures designed to eliminate or further reduce underage tobacco
3 sales.

4 2. Any modifications to this Consent Judgment shall be by written agreement
5 of the Parties and, in the case of the Company, signed by a duly authorized officer of
6 the Company.

7 **D. Scope**

8 1. The AGO (on behalf of itself and the State of Arizona) releases and forever
9 discharges the Company (including its owners, officers, directors, employees,
10 attorneys, agents, representatives, affiliates, successors and assigns) from any and all
11 actual or potential claims, causes of action, or liabilities in any form based on the
12 Arizona Consumer Fraud Act as it relates to the sale of tobacco or nicotine products
13 to minors in violation of A.R.S. §13-3622 and arising on or before the effective date
14 of this Consent Judgment, except for obligations imposed by this Consent Judgment.
15 Nothing herein shall effect other remedies available to any local jurisdiction in
16 connection with a past underage sale of tobacco or nicotine products at a particular
17 retail location, including fines, administrative penalties, permit suspensions, or any
18 other remedy that may be available to local authorities under applicable law.

19 2. Prior to seeking enforcement of this Consent Judgment, the AGO shall
20 contact the Compliance Officer and provide the Company 30 days advance written
21 notice prior to instituting any proceeding under the Arizona Consumer Fraud Act.

22 **E. Penalties**

23 Nothing in this Consent Judgment limits or abrogates any claim, cause of action, or
24 remedy available to the AGO at law or in equity arising out of a violation of this Consent
25 Judgment, except that in the event of a violation of any provision outside Section VII of this
26 Consent Judgment, the AGO shall provide the Company written notice and ten (10) business
27 days to take corrective action before pursuing any claim, cause of action, or remedy for an
28 alleged violation of this Consent Judgment.

F. Counterparts

This Consent Judgment may be executed in counterparts.

G. Conflict with applicable laws

No provision in this Consent Judgment is intended or shall be interpreted to authorize conduct in violation of applicable local, state, or federal law, which law supersedes any and all terms of this Consent Judgment in conflict with such law.

H. Effective Date

This Consent Judgment shall take effect on November 1, 2025.

I. Final Judgment

This Judgment resolves the Action. As no further matters remain pending, this is a final judgment entered pursuant to Ariz. R. Civ. P. 54(c).

ORDERED this ____ day of December, 2025.

JUDGE JOSEPH KREAMER

APPROVED AS TO FORM AND CONTENT:

KRISTIN K. MAYES
Attorney General

STATECRAFT PLLC

By:

Jane Fallon

/s/ Kory Langhofer

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Erika Mansur
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Attorneys for Defendants Pro Source Supply LLC, Pro Source Vapes LLC, Pro Source CBD LLC, Timothy Kell, and Jane Doe Kell

Pro Source Vapes LLC

Pro Source CBD LLC

Signature: Tim Keli
Name: Tim Keli
Title: Owner
Date: 11/20/25

Signature: Tim Kelly
Name: Tim Kelly
Title: Owner
Date: 11/20/25

Timothy Kell

Signature: Tim Kell
Date: 11/20/25

eSignature Page 1 of 1

Filing ID: 21072404 Case Number: CV2025-023752
Original Filing ID: 21060795

Granted with Modifications



/S/ Joseph Kreamer Date: 12/8/2025
Judicial Officer of Superior Court

ENDORSEMENT PAGE

CASE NUMBER: CV2025-023752
E-FILING ID #: 21072404

SIGNATURE DATE: 12/8/2025
FILED DATE: 12/9/2025 8:00:00 AM

JANE SUGANO FALLON

KORY A LANGHOFER