



PAXLABS

Processing Center • P.O. BOX 141578 • Austin, TX 78714



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JOHN Q. SAMPLE
1234 MAIN STREET
ANYTOWN US 12345-6789

August 12, 2016

NOTICE OF DATA BREACH

Dear John Sample,

On behalf of PAX Labs, Inc. ("PAX"), I am writing to notify you of a data security breach on our two e-commerce websites, PAXvapor.com and JUULvapor.com, which may have exposed some of your personal information. We take protecting your personal information seriously, and we want to protect you from any potential future issues or harm.

What Happened?

On July 15, 2016, we discovered that an unauthorized party had gained access to one of our cloud-based website servers and installed unauthorized software. PAX removed this software on July 15, 2016. Subsequently, an unauthorized party added similar software on July 22, 2016, which PAX removed that same day. Our investigation revealed that the unauthorized party accessed personal payment card information of approximately 6,000 customers who had made purchases from either www.JUULvapor.com or www.PAXvapor.com between June 25, 2016, and July 22, 2016.

What Information Was Involved?

Based on the facts that PAX currently knows, the unauthorized software targeted the following payment card data: cardholder name, billing and shipping address, credit or debit card number, expiration date, and security (CVV) code. No payment card PIN numbers or other personal information were accessed.

What We Are Doing.

PAX has been diligently working with a forensics team on this investigation, which is still ongoing. PAX has already put in place additional security measures, including more aggressive firewall rules and detailed system monitoring tools. To our knowledge, no further security breaches have occurred.

As a precaution, we have arranged to have AllClear ID protect your identity for 12 months at no cost to you. The following identity protection services start on the date of this notice and you can use them at any time during the next 12 months:



01-04-1-00

AllClear Identity Repair: This service is automatically available to you with no enrollment required. If a problem arises, simply call 1-855-398-6437 and a dedicated investigator will help you recover financial losses, restore your credit, and help ensure your identity is returned to its proper condition.

AllClear Credit Monitoring: This service offers additional layers of protection including credit monitoring and a \$1 million identity theft insurance policy. To use this service, you will need to provide your personal information to AllClear ID. You may sign up online at enroll.allclearid.com or by phone by calling 1-855-398-6437 using the following redemption code: Redemption Code.

Please note: Additional steps may be required by you in order to activate your phone alerts and monitoring options.

What You Can Do.

Please see the attached "Information About Identity Theft Protection," which is part of this notice, for further information on actions you can take.

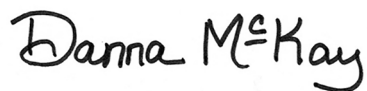
Where Can I Find More Information?

Customers may call a toll-free number, 1-855-398-6437, 8:00 am to 8:00 pm CT, Monday through Saturday (excluding national holidays) to receive additional information on the incident as well as access the fraud consultation and identity restoration services.

We take the protection of your personal information seriously and have taken steps to prevent a similar occurrence. As mentioned, we have put in place additional security measures around our online stores and have retained the services of a well-respected cybersecurity firm to ensure our efforts meet or exceed industry best practices.

If you have further questions or concerns about this incident, you can obtain more information from AllClear ID by calling, toll-free, 1-855-398-6437, 8:00 am to 8:00 pm CT, Monday through Saturday (excluding national holidays).

Sincerely,



Danna McKay
General Manager, PAX Labs, Inc.
660 Alabama Street, Second Floor
San Francisco, CA 94110

Information About Identity Theft Protection

1. Regularly Review Your Credit Report

We recommend that you regularly review statements from your accounts and periodically obtain your credit report from one or more of the national credit reporting companies. You may obtain a free copy of your credit report online at www.annualcreditreport.com, by calling toll-free 1-877-322-8228, or by mailing an Annual Credit Report Request Form (available at www.annualcreditreport.com/manualRequestForm.action) to:

Annual Credit Report Request Service

P.O. Box 105281
Atlanta, GA 30348

You may also purchase a copy of your credit report by contacting one or more of the three national credit reporting agencies directly:

Equifax

P.O. Box 740241
Atlanta, GA 30374
(800) 685-1111
www.equifax.com

Experian

P.O. Box 9532
Allen, TX 75013
(888) 397-3742
www.experian.com

TransUnion

2 Baldwin Place
P.O. Box 1000
Chester, PA 19016
(800) 916-8800
www.transunion.com

When you receive your credit reports, review them carefully. Look for accounts or creditor inquiries that you did not initiate or do not recognize. Look for information, such as home address and Social Security number, that is not accurate. If you see anything you do not understand, call the credit reporting agency at the telephone number on the report.

We recommend that you remain vigilant by reviewing your account statements and credit reports closely. If you detect any suspicious activity on an account, you should promptly notify the financial institution or company with which the account is maintained. We also recommend that you promptly report any suspicious activity or any suspected incidence of identity theft to us and to the proper law enforcement authorities, including local law enforcement, your state's attorney general, and/or the Federal Trade Commission (FTC).

To report fraudulent activity or suspected identity theft to the FTC, contact:



Federal Trade Commission
Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
(877) ID-THEFT (438-4338)
www.ftc.gov/bcp/edu/microsites/idtheft
www.identitytheft.gov/

These reports will be added to the FTC's Identity Theft Data Clearinghouse, which is a database made available to law enforcement agencies.

For Residents of Oregon: Oregon residents are advised to report any suspected identity theft to local law enforcement as well as the Federal Trade Commission. The Oregon Department of Justice may be contacted at:

Oregon Department of Justice
1162 Court Street NE
Salem, OR 97301
www.doj.state.or.us

Oregon Consumer Protection Hotlines
Salem: (503) 378-4320
Portland: (503) 229-5576
Toll-Free: (877) 877-9392
Email: help@oregonconsumer.gov

2. Consider Placing Fraud Alerts on your Credit File

A fraud alert is a notice placed on your credit file that alerts creditors that you may be a victim of fraud. There are also two types of fraud alerts that you can place on your credit report to put your creditors on notice that you may be a victim of fraud: an initial alert and an extended alert. You may ask that an initial fraud alert be placed on your credit report if you suspect you have been, or are about to be, a victim of identity theft. An initial fraud alert stays on your credit report for at least 90 days. You may have an extended alert placed on your credit report if you have already been a victim of identity theft with the appropriate documentary proof. An extended fraud alert stays on your credit report for seven years. You can place a fraud alert on your credit report by calling the toll-free fraud number of any of the three national credit reporting agencies listed below or visiting the listed websites.

Equifax: (888) 766-0008, www.alerts.equifax.com
Experian: (888) 397-3742, www.experian.com/fraud/center.html
TransUnion: (800) 680-7289, fraud.transunion.com

3. Consider Placing Security Freezes on your Credit File

You may have the right to put a credit freeze, also known as a security freeze, on your credit file, so that no new credit can be opened in your name without the use of a PIN number that is issued to you when you initiate a freeze. A credit freeze is designed to prevent potential credit grantors from accessing your credit report without your consent. If you place a credit freeze, potential creditors and other third parties will not be able to get access to your credit report unless you temporarily lift the freeze. Therefore, using a credit freeze may delay your ability to obtain credit. *Unlike a fraud alert, you must separately place a credit freeze on your credit file at each credit reporting company.*

In addition, you may incur fees to place, lift, and/or remove a credit freeze. Credit freeze laws vary from state to state. The cost of placing, temporarily lifting, and removing a credit freeze also varies by state, generally \$5 to \$20 per action at each credit reporting company. Since the instructions for how to establish a credit freeze differ from state to state, please contact the three major credit reporting companies as specified below to find out more information:

Equifax Security Freeze

P.O. Box 105788

Atlanta, GA 30348

www.freeze.equifax.com/Freeze/jsp/SFF_PersonalIDInfo.jsp

(800) 685-1111

(800) 349-9960 (for New York residents)

Experian Security Freeze

P.O. Box 9554

Allen, TX 75013

www.experian.com/freeze/center.html

(888) 397-3742

TransUnion Security Freeze

P.O. Box 2000

Chester, PA 19016

www.transunion.com/credit-freeze/place-credit-freeze

(888) 909-8872

4. Additional Sources of Information about Identity Theft

You may also obtain additional information from the FTC about steps you can take to avoid identity theft, including how to place a fraud alert or security freeze on your credit account. A copy of Taking Charge: What to Do if Your Identity is Stolen, a comprehensive guide from the FTC to help you guard against and deal with identity theft, can be found on the FTC's website at www.ftc.gov/bcp/edu/pubs/consumer/idtheft/idt04.shtm.

For Residents of California: California residents may also obtain information about preventing identity theft from the California Office of the Attorney General at:

California Office of the Attorney General

California Department of Justice

Attn: Office of Privacy Protection

P.O. Box 944255

Sacramento, CA 94244-2550

(916) 322-3360

(800) 952-5225 (Toll-free in CA)

oag.ca.gov/idtheft

For Residents of Iowa: Iowa residents may also wish to review information provided by the Iowa Office of the Attorney General on how to avoid identity theft at:



Iowa Office of the Attorney General

Consumer Protection Division

Hoover State Office Building

1305 E. Walnut Street

Des Moines, IA 50319

(515) 281-5926

(888) 777-4590 (outside of Des Moines metro area)

www.iowaattorneygeneral.gov/for-consumers/general-consumer-information/identity-theft/consumer@iowa.gov

For Residents of Maryland: Maryland residents may also wish to review information provided by the Maryland Office of the Attorney General on how to avoid identity theft at:

Maryland Office of the Attorney General

Consumer Protection Division

200 St. Paul Place 9001

Baltimore, MD 21202

(410) 576-6491

www.oag.state.md.us/idtheft

idtheft@oag.statemd.us

For Residents of North Carolina: North Carolina residents may also wish to review information provided by the North Carolina Attorney General on how to avoid identity theft at:

North Carolina Office of the Attorney General

Consumer Protection Division

Mail Service Center

Raleigh, NC 27699

(877) 566-7226

www.ncdoj.gov

AllClear Identity Repair Terms of Use

If you become a victim of fraud using your personal information without authorization, AllClear ID will help recover your financial losses and restore your identity. Benefits include:

- 12 months of coverage with no enrollment required;
- No cost to you – ever. AllClear Identity Repair is paid by PAX Labs, Inc.

Services Provided

If you suspect identity theft, simply call AllClear ID to file a claim. AllClear ID will provide appropriate and necessary remediation services (“Services”) to help restore the compromised accounts and your identity to the state prior to the incident of fraud. Services are determined at the sole discretion of AllClear ID and are subject to the terms and conditions found on the AllClear ID website. AllClear Identity Repair is not an insurance policy, and AllClear ID will not make payments or reimbursements to you for any financial loss, liabilities or expenses you incur.

Coverage Period

Service is automatically available to you with no enrollment required for 12 months from the date of the breach incident notification you received from PAX Labs, Inc. (the “Coverage Period”). Fraud Events that occurred prior to your Coverage Period are not covered by AllClear Identity Repair services.

Eligibility Requirements

To be eligible for Services under AllClear Identity Repair coverage, you must fully comply, without limitations, with your obligations under the terms herein, you must be a citizen or legal resident eighteen (18) years of age or older, and have a valid U.S. Social Security number. Minors under eighteen (18) years of age may be eligible, but must be sponsored by a parent or guardian. The Services cover only you and your personal financial and medical accounts that are directly associated with your valid U.S. Social Security number, including but not limited to credit card, bank, or other financial accounts and/or medical accounts.

How to File a Claim

If you become a victim of fraud covered by the AllClear Identity Repair services, you must:

- Notify AllClear ID by calling (855) 434-8077 to report the fraud prior to expiration of your Coverage Period;
- Provide proof of eligibility for AllClear Identity Repair by providing the redemption code on the notification letter you received from PAX Labs, Inc.
- Fully cooperate and be truthful with AllClear ID about the Event and agree to execute any documents AllClear ID may reasonably require;
- Fully cooperate with AllClear ID in any remediation process, including but not limited to providing AllClear ID with copies of all available investigation files or reports from any institution -- including but not limited to credit institutions or law enforcement agencies -- relating to the alleged theft.

Coverage under AllClear Identity Repair Does Not Apply to the Following:

Any expense, damage, or loss:

- Due to:
 - Any transactions on your financial accounts made by authorized users, even if acting without your knowledge.
 - Any act of theft, deceit, collusion, dishonesty, or criminal act by you or any person acting in concert with you, or by any of your authorized representatives, whether acting alone or in collusion with you or others (collectively, your “Misrepresentation”).
- Incurred by you from an event that did not occur during your coverage period; and
- In connection with an event that you fail to report to AllClear ID prior to the expiration of your AllClear Identity Repair coverage period.

Other Exclusions:

- AllClear ID will not pay or be obligated for any costs or expenses other than as described herein, including without limitation fees of any service providers not retained by AllClear ID; AllClear ID reserves the right to investigate any asserted claim to determine its validity;
- AllClear ID is not an insurance company, and AllClear Identity Repair is not an insurance policy; AllClear ID will not make payments or reimbursements to you for any loss or liability you may incur;
- AllClear ID is not a credit repair organization, is not a credit counseling service, and does not promise to help you improve your credit history or rating beyond resolving incidents of fraud; and
- AllClear ID reserves the right to reasonably investigate any asserted claim to determine its validity. All recipients of Identity Repair coverage are expected to protect their personal information in a reasonable way at all times. Accordingly, recipients will not deliberately or recklessly disclose or publish their Social Security number or any other personal information to those who would reasonably be expected to improperly use or disclose that Personal Information.

Opt-out Policy

- If for any reason you wish to have your information removed from the eligibility database for AllClear Identity Repair, please contact AllClear ID:

<u>E-mail</u> support@allclearid.com	<u>Mail</u> AllClear ID, Inc. 823 Congress Avenue Suite 300 Austin, Texas 78701	<u>Phone</u> (855) 434.8077
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