Thank you for joining us!

We will begin at the top of the hour. So you know:

- This is **Part I of our Six Part Series**
- Replays and Handouts will be available in Teachable
- Module I testing questions will follow this class;
 Certifications will be issued after final module



VapeMentors Presents Vape Shop Certification

6-PART SERIES

Regulations

What is Vape Shop Certification?

- Vape Shop Certification is designed to create a minimum standard of knowledge and proficiency for vape shop employees and owners.
- The first uniform training program for vape shops.
- This class was developed with input from hundreds of attendees during our beta test series. It will be constantly updated based on the industry's needs



Legal Disclaimer

This information is not to be intended as legal advice and may not be used as legal advice. Legal advice must be tailored to the specific circumstances of each case. Every effort has been made to assure that this information is up to date as of the publication. It is not intended to be a full and exhaustive explanation of the law in any area, nor should it be used to replace the advice of your own legal counsel.

FDA Certification

The FDA is actively looking at shops with the intention of shutting down those that do not follow "best practices."



FDA Certification

"retailers with an approved training program are subject to lower maximum penalties than retailers without such programs. Section 103(q)(2)(B) of the Tobacco Control Act defines "approved training program" as a training program that complies with standards developed by the FDA for such programs."



FDA Certification

At this time the FDA has not officially recognized this- or any class- as an "approved" training program.

We plan to be the first...



Record keeping

Keep records of everyone in your shop that takes this certification class

Keep a folder or binder with all the slides and certificates that are issued



Our Instructor: Phil Daman, Esq.

Tel. 202.660.1447 Phillip.Daman@DamanLLP.com



- Phil Daman is an attorney and Managing Partner of Daman and Associates, LLP.
- He advises investors, technologists, manufacturers, distributors and retailers in the vapor industry.
- Phil also advises trade associations & served as the CEO, Chairman and President of the Board of Directors for The Smoke Free Alternatives Trade Association (SFATA) from 2012-2015.

Timeline



Family Smoking Prevention and Tobacco Control Act (TCA)



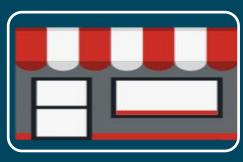
FDA Regulations re: Marketing/Sale/ Distribution of Cigarettes & Smokeless Tobacco



"Deeming Rule"

Expanded FDA's authority to include <u>all</u> products meeting statutory definition of "tobacco product", including "components" and "parts"

Definition of Retailer



Person/entity that sells tobacco products to individuals for personal consumption



Includes brick & mortar and online retail

*Note: Vape shops that repack, label, import, mix or prepare e-liquids, or create or modify any ENDS products meet legal definition of "tobacco product manufacturer" and are therefore also subject to provisions of Federal Food Drug & Cosmetic (FD&C Act) re manufacturers

Regulated Products



- Cigarettes
- Cigarette tobacco
- Roll-our-own tobacco
- Smokeless tobacco



Newly Regulated Products

- Electronic Nicotine Delivery Systems (ENDS) & E-Liquid
- Pipe tobacco
- Cigars
- Hookah/waterpipe tobacco
- Any other product that meets the definition of "tobacco product"

*And components, parts, and accessories

Summary of Requirements That Apply to Vape Shop Retailers



No sales to minors (<18)

Must also follow state & local tobacco laws, even if more restrictive



No vending machines sales, (unless in facility where no minors are permitted at any time)



Verification of DOB by photo ID for anyone under age of 27



Prohibition against selling new products, MRPTs, products with modified risk descriptors (e.g., "low," "light," or mild") absent FDA order/"approval"



No free samples



Required nicotine warning on labels and advertising

Warnings - Retailer Responsibilities (eff. 8/10/18)

WARNING: THIS PRODUCT CONTAINS NICOTINE. NICOTINE IS AN ADDICTIVE CHEMICAL <u>Packaging</u> - Retailers will <u>not</u> be found in violation of warning statement requirements for packaging that:

Contains a health warning

Is supplied to retailer by manufacturer, importer, or distributor, who has required state, local, or TTB-issued license or permit (as applicable) Is not materially altered by retailer



<u>Advertising</u>

Warning statement requirements apply to retailer only if retailer is responsible for/directs creation of advertising, including required health warning. This does not relieve retailer of liability if retailer displays advertisement that: Does not contain a health warning, or contains a health warning that has been materially altered by retailer

Sampling – Retailer Responsibilities



Free sample ban applies to all products that are subject to FDA authority, *even if they are not made or derived from tobacco* (e.g., components and parts)



Retailers must charge consumers money for products

Sampling (part II)

Promotional Activity	Permitted	ΝΟΤ
Sale at less than full price, e.g., BOGO*	•	
Acceptance of coupons that allow purchase at discount**	•	
Membership/rewards programs that provide discounts (so long as subject to age/ID requirements and in context of sales transaction that requires monetary payment)		
Contests & games of chance, so long as (i) subject to age/ID requirements & (ii) in context of sales transaction that requires monetary payment)***	•	
Business to business distribution of free samples, so long as (i) In a limited quantity, (i.e., no more than necessary to achieve legitimate business objective, such as awareness of and exposure to product for purposes of product or inventory selection), and (ii) part of genuine effort to sell /market product to receiving business.		
Distribution in exchange for providing contact information or signing up for a mailing list		•

Other applicable laws, such as state and local laws, may restrict the price at which tobacco products may be sold and whether coupons may be redeemed

Mail order redemption of coupons is prohibited (21 CFR§ 1140.16(c)(2)(i)) * A variety of state and Federal laws restrict how these promotions may be held

FDA Authority to Inspect

A MARE MAN THE R OF MENDING		3 DATE
2. NAME AND TITLE OF INDIVIDUAL		2 DATE
4. FIRM NAME		
		#109 #11
6. NUMBER AND STREET		ž.
		2M
7. DTY AND STATE & ZIP CODE		8. PHONE # & AREA CODE
Notice of Inspection is hereby given pursuant to Section 704(374(a)(1))". Written request is hereby given to access and/or o Food, Drug and Cosmetic Act, Section 414(a) [21 U.S.C. 350c] 50047URE (Foot and Drug Administration Employment)	opy the records described below	r, pursuant to the Federal gulations, Section 1.361 ¹ .
speciality portions of Sections 7N4 and 414 of the Teducal Flock, prop and Campite Let (11 LLS, CH and TSA) of the SM (11 LLS, CH and TSA) the Teducal Tapalities, and excitability. The Teducal Tapalities, and excitability of the SM (11 LLS, CH and TSA) the Teducal Tapalities, and excitability of the SM (11 LLS) and TSA (11 LLS) the Teducal Tapalities, and excitability of the SM (11 LLS) and TSA (11 LLS) the Teducal Tapalities, and excitability of the SM (11 LLS) and TSA (11 LLS) the Teducal Tapalities, and the Teducal Tapalities of the SM (11 LLS) and Annual LLS) terms of the sounce spectra. Let us and the SM (11 LLS) and Annual LLS) terms of the sounce spectra. Let us and the SM (11 LLS) and the SM (11 LLS) terms of the sounce spectra is used to the temportunity of the SM (11 LLS) and the SM (11 LLS) an	able of load that the Secretary debice is a serial resort, as an even of the secretary of the secretary process, access including lemma are process, access, including lemma are process, access, access, access, access, and cogs it encodes and access and and cogs it encodes and access and and cogs it encodes and access and access that secretary access and access	Authentic en presme a time o de desarro de anti-los anti-los anti- de desarrol de las anti-los anti-los anti- elas de anti-los de las anti-los anti- quos arrestanto el aprova de las anti- quos arrestanto el aprova de las anti- los altas de las anti-los de las anti- los altas de las anti-los de las anti- los altas de las anti- elas anti-los de las anti- los anti-los de las anti- los de las anti- los de las anti-los de las anti- los de las anti- anti- de las anti- de las anti-
emence, or sold, or offend for sale by reason of any provision of this (c), have been or me being manifustant, processed, packed, ansported, or held in any such place, or otherwise bearing on violation of is Act. No inspection autifuidant by the protecting sentimes or hypo- argraph (c) shall beared in financial data, sales data unter than inprenet data, pricing data, personnel data (other than data as to calizations of scholarida and and restrances and sensitive functions).	serious adverse health consequence ApplicationThe requirement under records relating to the manufactur receipt, holding, or importation of su of such person in any format (includ at any location,	s or death to humans or animals. (2 paragraphs (1) and (2) applies to a e, processing, packing, distributor ch article maintained by or on beha
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FDA Compliance Checks – Two (2) Types



1. Undercover Buy (UB) - to determine retailer's compliance with age and photo ID requirements

Without notice

Nature of inspection:

Minor (supervised by FDA inspectors) attempts to purchase tobacco products Inspector collects evidence (e.g., photographs, written statements), records inspection results, & drafts reports and other documents describing observations

	2. Advertising & Labeling (A&L) - to determine retailer's compliance with all other requirements	are i perf
WARNING: THIS PRODUCT CONTAINS NICOTINE. NICOTINE IS AN ADDICTIVE CHEMICAL	With notice Inspectors will:	diffe
	Introduce themselves	
	Ask for "most responsible person" present	
	Present retailer with Notice of Inspection (Form FDA 482)	

UB and A&L inspections are usually performed on different days

Inspection Results



Compliance Check Inspection Notice



Retailer will receive Compliance Check Inspection Notice shortly after inspection (if violation noted)



Retailer is NOT required to contact FDA after receiving this notice



FDA cannot release further details of open investigation until final decision is made



However, if there has been an error re retail address, contact FDA at phone # or email on CCIN

Potential FDA Advisory/Enforcement/Judicial Actions

Advisory - Warning Letter (WL)

Voluntary Compliance

1st time FDA finds violations during inspection it generally issues Warning Letter

Used to try to achieve prompt voluntary compliance



Enforcement

Civil Money Penalty No-Tobacco-Sale Order



Judicial

Seizure Injunction Criminal Prosecution

Warning Letter - Content



Date of inspection; list of alleged violations and relevant laws



Statement that failure to correct violations may result in regulatory action w/o further notice



Request written response within 15 days

Response should identify and clarify any erroneous allegations and detail steps taken to correct violations and prevent future violations

What Should You Do Upon Receiving a Warning Letter?



Review carefully

NOW

Timely respond in writing

Explain steps taken to correct violations & prevent future violations



Promptly correct any violations

What Will FDA Do Upon Receiving Your Response?



Send a reply to your letter



Conduct a follow-up Compliance Check Inspection w/o notice



If FDA is not satisfied with your response or observes violations during a follow-up Inspection, you may be subject to Civil Money Penalties

Civil Money Penalties (CMP)*

# of Violations	With Training Program	Without Training Program	
1 st	\$0	\$250	
2 nd w/in 12-mo	\$250	\$500	
3 rd w/in a 24-mo	\$500	\$1,000	
4th w/in a 24-mo	\$2,000		
5th w/in a 36-mo	\$5,000		
6 th /subsequent w/in 48-mo	\$10,000 as determined by the Secretary on a case-by-case basis		

LP

No-Tobacco-Sale Order (NTSO)



NTSO is order prohibiting sale of tobacco products indefinitely or for specified duration



Imposed on retailer found to have committed "repeated violations"



"Repeated violations" = 5+ violations of particular requirements over 36-month period at particular location



Timeframes

1st violation: 30 days/ 2nd violation: 6 months 3rd violation: **PERMANENT**

Retailer Training Programs



TCA does not require retailers to implement retailer training programs

FS He re th

However, there are lower civil money penalties for retailers who have implemented a training program that complies with standards developed by FDA

Recommended Elements of Retailer Training Program – 1. Laws & Regulations



Applicable Laws and Penalties

Sale and distribution/ Youth access

Advertising/promotion/ Penalties for violation



Retailers should inform employees that one way to prevent significant adverse consequences of tobacco use is to prevent youth purchases



May choose examples/statistics other than what is recommended by FDA, but should incorporate specific examples/statistics related to health effects of youth tobacco use.

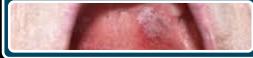
2018

Recommended Elements of Retailer Training Program – 2. Health Effects of Youth Tobacco Use

FDA recommends that retailers describe negative health effects of youth tobacco use, e.g., Congressional Findings in TCA, Surgeon General's Reports, etc.



Recommended Elements of Retailer Training Program – 2. Health Effects of Youth Tobacco Use (con't)



Smokeless tobacco causes oral cancer, esophageal cancer, and pancreatic cancer.



Using smokeless tobacco may also cause heart disease, gum disease, oral lesions other than cancer, reduced sperm count, & pregnancy complications including premature birth & low birth weight.



Adverse health impact of smoking is not limited to adults - Smoking among children and adolescents causes their lungs to not fully develop and causes a premature and accelerated decline in lung function beginning in early adulthood. Smoking also causes respiratory symptoms and asthma-related symptoms in children and adolescents.



Cigarettes, smokeless tobacco, and covered tobacco products contain nicotine, an addictive chemical.



Data suggest that youth are particularly susceptible to becoming addicted to tobacco.



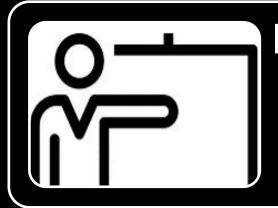
Virtually all new users of tobacco products are under the minimum legal age to purchase such products.

Recommended Elements of Retailer Training Program – 3. Written Company Policy



Retailers should adopt & enforce written policy covering:

Sale and distribution, including youth access Advertising and promotion



Policy should be shared with all employees

Verbally and in writing Acknowledged by employees Documented in training records

Recommended Elements of Retailer Training Program – 4. Products Covered



Should clearly define which products sold in retail establishment are considered to be covered under Tobacco Control Act and therefore subject to regulations prohibiting sale to individuals under age of 18

2018

Recommended Elements of Retailer Training Program – 5. Age Verification Techniques

Should clearly describe both Federal law and company policies on requiring identification, including age that triggers photographic ID verification and what constitutes acceptable forms of ID



Photographic ID Containing Date of Birth

- Permit only government-issued photographic ID containing date of birth (e.g., State-issued driver's license or ID card, military ID card, passport, or immigration card)
- Specify that ID cannot be expired
- Include appropriate measures to determine authenticity of ID
- Instruct employees to decline sale when customer has no photographic ID, the ID contains no date of birth, or ID has expired.



Importance of Closely Examining Photographic ID

- Should teach employees about need to closely examine photographic ID to ensure it establishes both:
- Person identified is of legal age to purchase and ID belongs to person presenting it
- Should instruct employees to decline a sale because of concerns about the authenticity of the photographic identification
- Should stress that many illegal sales are made to minors who produce IDs showing they are under legal age to purchase
- Studies have shown that illegal sales to minors frequently occur when retail employee fails to verify age of purchaser who has produced ID, especially when minor appears to be confident, produces a photographic ID without being asked, and appears to be over age of 18
 C Daman and Associates, LL

Recommended Elements of Retailer Training Program – 5. Age Verification Techniques (con't)



How to Verify the Authenticity of Photographic Identification

Program content should include information on features of photographic ID that should be checked, including, but are not limited to examination of:

Picture/physical characteristics listed on ID (such as height, weight, and eye color) to ensure that ID belongs to person who has presented it

ID to ensure any required watermarks or State seals are present

ID for visual clues to assist in determining whether it belongs to "of-age" or "underage" customer in States where photographic ID has different features for individuals under age 21 or under age 18 (i.e., vertical versus horizontal orientation or different font color on the date of birth).



Altered Photographic ID

Should discuss how to determine whether photographic ID might have been altered and what employee should do if ID appears to be altered.

Should provide detailed information on signs of altered ID, which include, but are not limited to:

- Any sign of tampering
- Peeling lamination
- Smudged print

Differences in font on date of birth or expiration date

Recommended Elements of Retailer Training Program – 5. Age Verification Techniques (con't)



Specific Age-Verifying Techniques

Should include detailed info re company-approved techniques designed to ensure that DOB on ID is read and clearly understood

Requiring employees to compare DOB on ID with calendar that displays most recent date that can be shown on the photographic identification in order for that person to purchase Installing price scanners that are programmed so that when tobacco product is scanned, register displays message prompting employee either to request age identification and key in purchaser's DOB or to verify that purchaser is over age of 26

Requiring employees to scan all IDs through an electronic age verification device.



Insufficient Photographic Identification

Should inform employees of how and when they should ask for second piece of ID containing purchaser's date of birth and instruct employees to *decline sale* when ID does not appear to be authentic

ZUIO

Recommended Elements of Retailer Training Program – 6. Refusing Sales





FDA recommends training programs incorporate role-playing (e.g., practice sessions with retail employees playing roles as clerks and customers to simulate possible sales transactions) to ensure employees can effectively apply training information and perform tasks outlined in training program Role-playing should address difficult situations and should assist employees in determining when/how to:

Decline purchase attempts by minor made with written parental permission Decline to sell tobacco products to underage persons who are friends and acquaintances Decline sale when:

Customer has no photo ID; contains no DOB or has expired

Photo ID does not appear to be authentic or shows customer to be underage

Resist customer pressure

Seek management assistance, when necessary

The Right to Refuse Sales When Acting in Good Faith

Should teach retail personnel that employees are *not required to make sale* if there is any question that doing so would violate law © Daman and Associates, L_P

Recommended Elements of Retailer Training Program – 7. Testing to Ensure Employees Have Knowledge Required



Should require employees to take written test

Use content/format/method determined by retailer to be appropriate Cover Federal laws/regulations re sale and distribution, youth access, advertising and promotion



Each employee should attain score sufficient to demonstrate possession of knowledge necessary to comply with law



Should maintain records documenting that all individual employees have been trained, including: Copy of test given to employees and correct answers

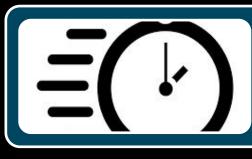
Record of test results for each employee, including employee's name, date(s) of testing, test given to employee (if the retailer has more than one test for such training), and employee's test score Should determine format of records (e.g., paper, electronic)

Retain records for 4 years in order to be able to provide evidence of a training program during 48-month time period covered by civil money penalty

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2018

Recommended Elements of Retailer Training Program – *Training Frequency*



Current employees should be trained as soon as practical



New employees should be trained prior to selling tobacco products



Refresher training –

- All employees should receive refresher training, including, but not limited to, any necessary re-training, updates to company
 policies or law, testing, and roleplaying exercises
- Should be provided at least yearly and more frequently as needed
- Should consider requiring refresher training and testing for employees if retail employee is found selling tobacco products to persons under legal age

Recommended Elements of Retailer Training Program – *Training Methods*

Training may be delivered by any appropriate method, including, but not limited to:



In-store training while on the job



Trainer in classroom setting



Via written materials provided to store personnel for self-study



Via Web or other computer-based application

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Recommended Elements of Retailer Training Program – *Training Program Review Following Violation*



Review and update training program and take appropriate corrective action after any violation



Document any modifications to training program



Retain records for 4 years

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Recommended Elements of Retailer Training Program – *Hiring Practices*



Consider requiring employees who sell tobacco products be at least 18 years of age

Studies have shown that employees *under age of 18* are more likely to sell tobacco to minors



Facilities that employ persons younger than 18 years of age must not have vending machines for sale tobacco products

Recommended Elements of Retailer Training Program – *Management Practices*



Consider internal compliance check program, aka "mystery shopper program" (taking into account any local laws)
Perform at random and varying times of day and at least once every 6 months

Immediately notify employees who fail and provide additional training



Review any in-store videotapes to ensure employees are complying with tobacco-related laws and store policies, specifically those relating to requesting and examining photo IDs from customers under the age of 27

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Recommended Elements of Retailer Training Program – Management Practices (con't)



Consider establishing appropriate corrective measures for employee noncompliance (in compliance with state and local laws)



Document procedures and corrective actions for internal compliance program



Ensure management has vested interest in employee compliance by making compliance rate component of retail supervisor's performance reviews (if permitted by local law)

Recommended Elements of Retailer Training Program – Poster



FDA poster summarizes some of important regulations for selling tobacco in retail establishments



Suggested Placement - on walls/windows, near cash register, in your break room wherever store employees can see it



Our Instructor: Phil Daman, Esq.

Tel. 202.660.1447 Phillip.Daman@DamanLLP.com

VapeMentors Presents Vape Shop Certification

6-PART SERIES

Why?

This Course Is Designed For...

- Vape Shop Owners
- Vape Shop Managers
- All employees

To Be Used As Training Material For New And Established Employees

Some Challenges Our Beta Attendees Shared:

"Because our employees have worked in the shop for several years it is difficult getting them to change old habits like being more careful about what we can and cannot say and carding everyone. Old habits DO die hard."

"Getting all the stores together on training. Having everyone meet together to compare notes and get updates. We want to advertise on social media and we all now have guidelines given to us that we must abide by for advertising."

Solutions Vape Shop Certification May Provide

- Uniformity in training on the *basics* of vape shops
- Saving you and your staff's time by offering training according to everyone's schedule
- Teaching an understanding of the fundamentals of this industry

What Beta Attendees Shared...

100% of the beta attendees think the training "hit the mark"...

"I believe that everything was covered that any of my employees had questions on"

"I can't think of anything I would add. It was very informative, answered all my questions and was completed in a reasonable time frame."

What Beta Attendees Shared...

"The content was awesome and the lawyer was great!" (Phil Daman)

"It will help me teach employees how they can be more customer friendly. I find that the few people I have employed young and old, don't understand the importance of good customer service."

"You guys did great, really good information."

"wouldn't delete anything."

The Agenda (I) Regulations: primarily for retailers and covers federal, plus tobacco laws

 Instructor: attorney Phil Daman, founding Executive Director of SFATA and highly recognized legal council in the vape industry

The Agenda (IIa) Battery Safety and

(IIb) Liability and Risk Management...go hand in hand. Proper safety should reduce liability, but insurance is required and prudent for all vape businesses

Instructor: Jon Brower, Waldo Vapes

• Instructor: Sarkis Kaladzhyan, president CalCo Commercial Insurance, leaders in the industry

(III) Customer Service and Support: The vape industry should be appealing and inviting to anyone *regardless* of experience, sex, or age. Yet vape shops can be intimidating and off putting to many.

• Instructor: Molly Sylvester, Vapin' the 619

(IV) Advocacy: The "anything goes" mindset from the early years is gone. The "wild west" has been tamed to excess by the FDA at the federal level, many varied and inhibiting states guidelines, practices and taxation and local regulations that can have national consequences.

- Instructor: Alex Clark, CASAA
- Instructor: Stefan Didak, Not Blowing Smoke

(V) Social Media: Facebook, Instagram, Snapchat and many other platforms allow vape users and professionals to spread knowledge and sometime misinformation and drama to the masses. There can be negative consequences.

- Instructor (a): Stacy Marshall, partner, Keller and Heckman, LLP attorneys
- Instructor (b): Riley Legaspi, owner, SMPL Media, specializing in the vape space

(VI) Future Vape Trends: Many vape shops stay true to the cause of smoking cessation and avoid anything unrelated. Others have expanded into hemp products, CBD, glassware, kratom, and more. Which is the best strategy?

Instructor: Norm Bour and panel

Special Offer This class is \$197 until the end of module VI on July 26.

The price will increase to \$497

PRE-SALE ORTUNITY VapeMentor Presents Vape Shop Certification **\$19** 6-PART SERIES

What Else Do You Recommend?

Email suggestions to:

Norm@VapeMentors.com

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Questions & Answers